Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils.500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$85
France	FFr6.50	Malaysia	Rls4.25	Thailand	Bht50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
Iceland	Ikr125	Norway	Nkr10.00	USA	$1.00
India	Rup15	Philippine	Peso40		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,654 Thursday September 29 1988 D 8523 A

SECURITY MANIA
Berlin's neuroses baffle the bankers
Page 6

World News

Italy steps up battle against the Mafia

The Italian Senate agreed to accelerate approval of legislation equipping the country's anti-Mafia Commissioner with new special powers. Parliament's increased sense of urgency followed the murder of a senior Sicilian judge on Sunday and a subsequent threat by recently-appointed Commissioner Domenico Sica to resign after his first year in office. Page 16

Bullets protest

The US criticised Israel's use of plastic bullets against Palestinian protesters, saying there was no justification for a policy designed to increase the number of casualties in the occupied territories. Earlier story, Page 4

Kosovo arrests

Yugoslav police arrested 41 ethnic Albanians suspected of favouring separation of Kosovo province – the scene of growing ethnic tension between Albanians and Serbs – from the rest of Yugoslavia. Page 2

Iraq sanctions vote

The US House of Representatives approved a bill envisaging limited trade sanctions against Iraq's alleged use of chemical weapons. Page 3

Kabul centre shelled

Thirty-five people were killed and more than 150 injured when a rocket landed in a central square in Kabul during a rebel missile attack.

Tit-for-tat expulsions

Czechoslovakia accused two British diplomats of spying and ordered them to leave within 14 days. Britain said the move was in retaliation for its expulsion of three Czech spies last week. Page 2

New Burmese party

Burma's opposition National League for Democracy registered as a political party with the army-backed Election Commission but said it had not yet decided to participate in any future poll. Border insurgency, Page 4

No Spanish witness

Spain said it would not agree to a British request for its police to testify at the inquest on three Irish Republican Army members shot dead by British forces in Gibraltar. Page 7

Angola 'progress'

Delegates at complex peace negotiations on Angola and Namibia in Brazzaville, brushed aside an earlier row over conflicting positions, said progress was being made and that talks would continue into an unscheduled fourth day. Botha's Zaire trip, Page 4

Indian bank strike

Bank employees across India went on strike for improved wages and working conditions, highlighting some of the problems of the mainly state-owned banking system. Page 4

Threat to marathon

South Korean student demonstrators threatened to disrupt the marathon – the last event of the Olympic Games – if the authorities did not free national student union president Oh Yong-shik.

Space-struck star

US country singer John Denver offered to pay $10m for a trip on a Soviet space ship, the weekly Moscow News reported.

Business Summary

Fiat profits reach record L202bn in first half

ITALY'S Fiat Group maintained steadily rising profits in the first half with a 21 per cent increase in consolidated pre-tax profits on sales of L22,686bn ($16.2bn), 14.3 per cent above the same period last year. Continuing boom in the European car market helped the group to record first half profits of L202bn before tax. Page 17

RENAULT gave strong support to French Government efforts to protect the European car industry from Japanese imports. Raymond Levy, chairman and chief executive of the state-owned automotive group also backed refusal by Paris to treat Nissan cars built in the UK as European-produced. Page 16

CABLE & WIRELESS, international telecommunications group, launched a £283m ($471m) bid for Telephone Rentals, second largest UK distributor of telecommunications equipment. Page 17

DEUTSCHE Bank of West Germany, world's 10th-largest banking group, announced purchase of 50 per cent of Bain & Co, Sydney-based brokerage firm and financial services group, for an undisclosed sum. Page 20

AIR CANADA's is to offer 30.8m shares to the public at C$8 each (US$6.6), suggesting Government and management concern that the issue should succeed. Page 18

MONTEDISON, Italian chemicals company controlled by Raul Gardini's Ferruzzi group, plans to offer $271m to buy out minority shareholders of Ausimont, Wall Street quoted special chemicals subsidiary. Page 18

WARNER Communications and Lorimar Telepictures said that despite an adverse court ruling they would proceed with their $930m merger. Page 18

KIRK KERKORIAN, US West Coast businessman, has produced a new plan to raise capital for MGM/UA Communications, the film and television studio he controls, two months after a controversial plan collapsed. Page 18

SEARS ROEBUCK, largest US retailing and consumer financial services group, said its president Richard M. Jones, would retire this year after 38 years of service. Page 20

NEW ZEALAND Futures Exchange may grant full membership rights for foreign companies without local subsidiaries, according to Lincoln Gould, the exchange's marketing manager. Page 21

JAPANESE BANKS and securities houses are worried about the establishment by foreign financial houses of a prototype grey market in new Japanese Government bond (JGB) issues. Page 21

SOUTH KOREA is expected to achieve a current account surplus of more than $11bn this year, almost double the Government's target, according to the central bank. Page 4

SAUDI ARABIA has started broadening its market for "development bonds" by allowing its banks to sell directly to individuals as well as private corporations. Page 22

NISSAN MOTOR, second largest Japanese automotive group, aims to build more than 25 per cent of its production volume overseas by the early 1990s, Yutaka Kume, Nissan president, said at the Paris Motor Show. Page 20

Kremlin calls urgent talks on radical party overhaul

By Quentin Peel in Moscow

AN EMERGENCY plenum of the Soviet Communist Party's central committee has been summoned for Friday to finalise plans for a radical overhaul of the party bureaucracy – one of the most critical and sensitive political reforms proposed by Mr Mikhail Gorbachev, the Soviet leader.

News of the meeting – which are often not announced until they take place – emerged in New York, where Mr Eduard Shevardnadze, the Soviet Foreign Minister, cut short his visit to the United Nations.

His spokesman, Mr Gennady Gerasimov, confirmed the convening of the meeting and its purpose: "The plenum will be devoted to the reorganisation of the party apparatus, including the central committee itself."

Mr Gorbachev said last week that the ruling Politburo had reached a decision on the reform of the party bureaucracy, which must now be agreed by the 400 or so central committee members. The aim of the reforms is to cut back the direct interference of the party machine in day-to-day government, with, in effect, two governments operating side by side, both at the national level, and all the way through the Soviet system, at republican, regional, city and district level.

Shevardnadze: summoned at short notice

The reform has aroused strong resistance within the party ranks, where thousands of full-time officials are likely to be seconded into new and less-privileged jobs.

The unknown question is whether he has been forced to compromise – the fact that Mr Shevardnadze, a close ally in the Politburo, has been summoned back at short notice, suggests that the Soviet leader is looking for all the support he can get.

Moscow increases pressure on rebels

The Soviet Union is stepping up its campaign of vilification against Armenian nationalist leaders, accusing them of promoting unrest to disguise their own corruption and criminal activities. The newspaper Pravda, principal mouthpiece of the Communist Party's Central Committee, also accused police and security services of being "indecisive and inconsistent" in failing to crack down on ringleaders of the renewed strikes and mass demonstrations in Armenia and Azerbaijan. Page 2

Mr Gorbachev yesterday reaffirmed his determination to press ahead with the reforms, however. The Soviet leader, shown on state television smiling and relaxed, was quoted telling Erich Honecker, the East German leader, that he remained committed to political, social and economic renewal.

"The further we go along the path of perestroika, the more sure we are about the correctness of our choice," he told the East German leader.

In a speech last weekend to media executives in Moscow, he said the brunt of the cuts would be borne by the central committee apparatus itself.

The implication of the reforms is that the industrial and economic departments of the party, which have traditionally issued direct orders to industries and enterprises, superseding the government, should be disbanded.

Mr Gorbachev's aim is to return the ruling party to "political and organisational work", giving much greater freedom of initiative to enterprises themselves.

He has promised that the size of the bureaucracy will be significantly reduced – meaning that thousands of the most privileged officials in the country will have to be found new, and almost certainly less privileged jobs.

"Its size will be reduced," he said. "We think the party apparatus will be very seriously strengthened with the best cadres, and its level will rise."

At the same time, the ruling party has already started a "report and election" campaign, in which officials at every level have to report back to party meetings, and stand for re-election. When Mr Gorbachev was in Siberia 10 days ago, he said some 40 per cent of officials were changing as a

Economic reforms 'speeding up inflation'

By Quentin Peel in Moscow

THE ECONOMIC reforms introduced by Mr Mikhail Gorbachev, the Soviet leader, have resulted in inflation reaching "threatening proportions," according to a senior Soviet official.

The demand on factories to pay their own way through real accounting has resulted in hidden price rises, a switch to the manufacture of more expensive products, and a general acceleration of the rate of inflation, members of the country's Supreme Soviet – the traditional rubber stamp parliament – have been told.

The claim appears to be part of a growing backlash from senior state officials against the pace and direction of the Soviet reforms which have greatly reduced the powers of the centralised state planning bodies in favour of greater independence for enterprises.

It also amounts to a rare admission of the problem of inflation

Among price rises quoted to the deputies, members of a preparatory commission for next month's major budget debate in the assembly, were 20 per cent for bread over the past two years, 15 per cent for fruit and vegetables, 15 per cent for socks and stockings, and 10 per cent for televisions.

According to a detailed report of the debate published yesterday by the newspaper Socialist Industry, the deputies strongly criticised the state pricing committee, Goskomtsen, for "trying to hide the true state of affairs."

In retaliation, Mr I. Gorbachev, deputy chairman of Goskomtsen, blamed the price rises directly on the new economic reforms, and "the unlimited independence of the enterprises in setting prices and chasing profits."

He also blamed the co-operatives being set up alongside state enterprises for charging prices double the state-controlled levels.

He said that a 60 per cent increase in the turnover of goods – although he did not specify what sort of goods – was achieved through price increases, not extra output.

He also cited the officially sanctioned price supplement which may be charged for new or particularly fashionable goods, which had jumped from 15 per cent in 1985 to 30 per cent today.

Mr Gorbachev submitted a report on "Measures to overcome the tendency towards price rises" which would introduce a new universal system of price controls, based on price control inspectors in every town with a population bigger than 30,000.

His proposal appears to fly in the face of the decentralisation of economic decision-making which Mr Mikhail Gorbachev is trying to promote.

A similar plea for the maintenance of strong central control was made in the Council of Ministers recently by the head of the state purchasing committee, accusing individual enterprises of flouting the central planning bodies.

However, the proposal was treated with disdain by yesterday's newspaper report: "Just imagine, a whole new state committee for controlling prices," it said. "If we don't find sensible economic solutions to the problem today, and once again rely on administrative pressure, then they will continue to grow."

A wholesale price reform has been promised by the Soviet authorities, but the issue is already proving to be politically explosive – and Mr Mikhail Gorbachev has promised that it will not be introduced without a national debate.

In the meantime, individual producers are caught in a trap. The deputies were addressed by Mr R. Fyodorov, a senior official in the Ministry of Bread Production. "Many types of bread we produce were making us a loss," he said. "Therefore last year we had to start producing more expensive brands. However, even their quality was poor, but how are we supposed to reject them if they bring high profits?"

Bonn calls for free trade to ease debt flow

By David Marsh in West Berlin

DEVELOPED and developing countries yesterday joined forces to call for fresh efforts to open markets for Third World exports as part of attempts to ease debt burdens.

The lead among developed nations was taken by Mr Gerhard Stoltenberg, the West German Finance Minister, who launched a forceful attack on protectionism in a speech to the IMF/World Bank meetings in West Berlin. His views were echoed by speeches from China and South Korea.

Mr Stoltenberg, who coupled his call for more open markets with some self-satisfaction at better West German growth prospects this year, defended his country against charges that its current account surplus was still too high.

Mr Stoltenberg said that the West German external balance was likely to fall to between 2 and 2.5 per cent of gross national product from 3 per cent in 1987.

The West German Finance Minister stressed that more had to be done to allow developing nations to realise their growth potential.

He said: "One cannot expect developing countries to increase their exports while at the same time frustrating the success of their efforts. History has taught us that there can be no gain from protectionism."

Mr Stoltenberg also laid down Bonn's line that a "market and growth-oriented strategy" was the only effective alternative for overcoming the debt problems of the middle-income developing countries.

This approach was in marked and sceptical contrast to the more far-reaching proposals for relieving the debts of these countries unveiled by Japan on Tuesday. Details of the proposals remain vague.

The anti-protectionist theme was also taken up by China, building on its unofficial role as one of the main representatives of developing countries' interests in the international financial community.

Wang Bingqian, Peking's Finance Minister, said trade protectionism was "running rampant" and declared that developed countries should further open up their markets to developing nations' sales.

In a passage clearly aimed at toning down the economic optimism emitted by most industrialised country speakers, he warned that most developing countries had achieved only "anaemic" economic growth, with per capita income in Sub-Saharan countries, for example, still declining.

Resource transfers to developing countries had dropped or even turned negative. "Without the co-operation of the international community and without timely action by the developed countries in particular, the prospects for the world economy admit no optimism," said the Chinese Minister.

Il Kasong, the South Korean Finance Minister, stressed his disquiet about expanding the scope of trade legislation and increased use of discriminatory trade measures.

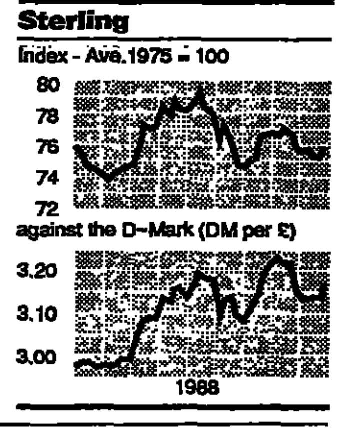
Lawson says deficit well above estimate

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, yesterday acknowledged that the UK's current account deficit was likely to be at least three times the £4bn ($6.7bn) predicted in the March budget.

He said, however, that Britain would not seek a progressive devaluation of sterling or a tighter fiscal policy to close the gap. The deficit would be "self-correcting" over time. The markets read this as a signal that Britain was prepared to underwrite the pound, and the currency rose against the D-Mark and the dollar.

IMF reports, Page 6.

Sterling



Deutsche Bank buys stake in big Australian brokerage firm

By Chris Sherwell in Sydney and Haig Simonian in Frankfurt

DEUTSCHE BANK of West Germany, the world's tenth largest banking group, yesterday announced the purchase of a 50 per cent stake in Bain & Co, the Sydney-based brokerage firm and financial services group, for an undisclosed sum.

The deal removes from the Australian broking scene yet another of its few large independent firms. Earlier this month First Boston of the US acquired MacNab Clarke. The two biggest independents left are J.B. Were and Potts West Trumbull.

The move also marks a further important step in developing Deutsche Bank's international investment banking activities – a pattern began most notably with the establishment of Deutsche Bank Capital Markets in London in the mid-1980s and complemented by the expansion of investment banking operations in New York, and more recently, Tokyo.

The agreement between Deutsche and Bain follows intense market speculation about the future of Bain, which has a strong reputation both as a dealmaker and for its research but has lost some of its senior partners. The company was forced to shed a large number of staff in the wake of last October's stockmarket crash.

A statement said Bain would retain management control of the firm and would continue to run its stockbroking activities and other business autonomously. Representatives of Deutsche Bank, however, will join its board.

For Bain, the statement said, the bank's entry offered a range of international resources and services, including opportunities in the single European market after 1992, and support for growth worldwide of its investment banking business.

Deutsche, having consolidated its position in the world's three key international investment banking centres, has been seeking to expand in other important, but slightly more peripheral, markets.

Last year, it bought a 50 per cent stake in McClean McCarthy, a small Canadian investment banking and securities trading operation based in Toronto. That stake was increased to 100 per cent in July.

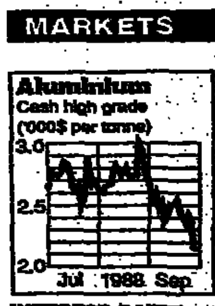
The latest Australian acquisition is in much the same light, if appreciably bigger. Deutsche Bank has been progressively developing its coverage in the Canadian and Australian dollar markets in recent years.

The bank plans to use the link with Bain & Co not only to place Australian debt and equities more broadly around the world, but also to improve sales of European securities in Australia.

Continued on Page 16

MARKETS

Aluminium



INTEREST RATES
US
Federal Funds $8\frac{3}{16}$% ($8\frac{1}{4}$)
3-mth Treasury Bills: yield: 7.56% (5.67)
Long Bond: $99\frac{21}{32}$ ($99\frac{3}{32}$)
yield: 9.138 % (9.13)
London
3-month Interbank: close $11\frac{13}{16}$% (same)

STERLING
New York
$1.890 (1.879)
London:
$1.6865 (1.6785)
DM3.1675 (3.155)
FFr10.75 (10.735)
SFr2.6825 (2.67)
Y226.25 (225.75)

DOLLAR
New York
DM1.8775 (1.87875)
FFr6.393 (6.3945)
SFr1.591 (1.59)
Y134.05 (134.675)
London:
DM1.878 (1.879)
FFr6.3925 (6.395)
SFr1.59 (same)
Y134.2 (134.45)

GOLD
New York latest
Comex Dec
$403.45 (402.5)

STOCK INDICES
New York
Dow Jones Ind. Av.
2,086.53 (+3.2)
S&P Comp
259.0 (+0.74)
London:
FT-SE 100
1,812.5 (+4.5)
World:
124.17 (Tues)
Tokyo
Nikkei Ave
27,752.01 (-252.45)
Frankfurt
Commerzbank
1,554.2 (-14.9)

OIL
Brent 15-day (Argus)
$12.95 (+0.29) (Oct)
West Tex Crude
$14.185 (+0.315) (Nov)

CONTENTS

Three prescriptions for a delicate Finnish economy

Finland's Finance Minister Erkki Liikanen squeezed a 20-year economic package into one week earlier this month, with major tax reform, a wage deal and a budget. But "Liikanen's superweek" still needs union acceptance to succeed Page 2

Broadside from Brussels over Thatcher view on EC

By David Buchan in Brussels

BRITAIN'S Prime Minister, Mrs Margaret Thatcher, yesterday drew a twin-barrelled political broadside from Mr Wilfried Martens, her Belgian counterpart, and Mr Jacques Delors, the European Commission president, for her sharply-expressed resistance to further major moves towards European union.

In a news conference specially called to try to rebut some of Mrs Thatcher's claims and allay some of her fears, Mr Martens said that in her speeches in Belgium and Luxembourg last week "Mrs Thatcher has opened up a political debate in which it is the right – even the duty – of other heads of government to participate".

While he shared with her "a certain mistrust" of an unbridled Brussels bureaucracy, the way to control it, he said, was to give greater powers to the European Parliament – an institution omitted from Mrs Thatcher's speeches. Such democratic control was all the more necessary, Mr Martens said, because of his belief that the EC competence should be extended into monetary, defence and foreign policy.

In a long interview in yesterday's editions of the Belgian newspaper Le Soir, Mr Delors said, as Mr Martens did, that he did not want to get into "a polemic" with the UK leader, but then went to stress the needs for steps towards greater economic and monetary union as outlined in the 1987 Single European Act.

There was yesterday no hard evidence that Mr Martens and Mr Delors had deliberately concerted the start of a political counter-offensive by continental Europe, where Mrs Thatcher's speeches of last week were generally criticised for their negative tone. But by publicising their views on the same day, the Brussels-based Belgian Premier and Commission president were, in effect, giving each other politically-useful covering fire.

Mr Martens said he had been irked by some UK press comment, in the wake of Mrs Thatcher's Bruges speech, to the effect that countries like Belgium and Italy only supported European political union because they had such unstable governments.

Having served nine of the past 10 years as Prime Minister, he was Mrs Thatcher's "longest-serving" counterpart in Europe – thus hinting that this was why he had chosen to speak out.

He said he knew the private views of President François Mitterrand and Chancellor Helmut Kohl on the issues raised by Mrs Thatcher, and he expected them to make them known shortly. The planned EC summit in Rhodes in December might be a forum for a wide-ranging political debate, he said. It, in fact, had been the plan of Mr Andreas Papandreou, as current president of the EC Council, to schedule such a debate, before the Greek leader's hospitalisation in London put this in some doubt.

Delors: covering fire

Kremlin grows more strident over Armenian rebels

By Quentin Peel in Moscow

THE SOVIET authorities have stepped up a campaign of vilification against Armenian nationalist leaders whom they blame for renewed strikes and mass demonstrations in Armenia and Azerbaijan.

At the same time the police and security services in the area have been accused by Pravda, the principal mouthpiece of the Communist Party central committee, of being "indecisive and inconsistent" in failing to crack down on the ringleaders of the unrest.

The accusation against nationalist Armenian leaders – repeated in recent days by a Soviet government spokesman, a senior police chief, and now Pravda – is that they are stirring up unrest to cover up their own corruption and criminal activities.

So far, however, none of the leading figures at demonstrations in both Yerevan, the Armenian capital, and Stepanakert, capital of the Nagorno-Karabakh enclave in Azerbaijan, has been detained under the sweeping security powers available to the Soviet state.

The demonstrators are seeking to force Moscow to reconsider its refusal to transfer Nagorno-Karabakh from the jurisdiction of Azerbaijan to that of Armenia – a long-standing nationalist grievance which has aggravated ethnic tensions for the past nine months.

The informal leaders belong to the so-called Krunk Committee in Nagorno-Karabakh, and the Karabakh Committee in Yerevan.

Reports from the region suggest that they enjoy widespread, popular support – underlined by huge demonstrations in the streets, running into hundreds of thousands – and have therefore so far been treated with kid gloves by the Soviet authorities.

In Nagorno-Karabakh, it was openly admitted in the summer that the local Communist Party had lost control of the situation.

For the first time yesterday, however, it was reported that some members of the Karabakh Committee had been fined for organising illegal demonstrations in Yerevan.

Pravda yesterday linked the start of the renewed unrest in Nagorno-Karabakh with the launching of an investigation by the state prosecutor's office into "corruption, bribe-taking and embezzlement" in the region. The same was true in Yerevan, the newspaper said in a special report.

It said 200 crimes had been uncovered in August and the first days of September in Yerevan, including 57 cases of embezzlement of state property, 49 cases of "speculation," and 10 cases of bribe-taking.

Armenia, along with neighbouring Georgia, has always been a Soviet republic with a notoriously large black economy – one reason, ironically, that their economies have generally worked better than in other parts of the country.

The allegations against the nationalist leaders remain generalised and vague, merely suggesting that nationalist demands are a pretext to head off more thorough investigation of the black economy.

Pravda's attack on the local police chiefs was more precise, following several quotations from speakers at Armenian rallies urging "open war" on Moscow, the creation of an Armenian army, and accusing the Soviet troops in the region of being a "colonial army."

"These activities, which can only be described as subversive, have been going on for almost nine months," the newspaper declared, accusing the Armenian authorities of acting in an "inconsistent and indecisive" manner.

"If persuasion measures do not bring results, enforcement measures should be used." Earlier in the week, Gen Ignatov said that none of the informal leaders had been detained, "in accordance with our new democratic line."

Three prescriptions for a delicate Finnish economy

Olli Virtanen reports on a major effort to retrieve a deteriorating situation

A MAJOR tax reform is usually made once every 20 years, says Mr Erkki Liikanen, the Finnish Finance Minister. A wage stabilisation package is wrapped up every 10 years, and the budget, of course, comes out every year. In early September, he points out, Finland got all three within a period of seven days.

The fiscal reform, true to the current fashion in the Western world, is intended to cut the rates at which income and corporation taxes are levied; while broadening the tax base through the progressive abolition of a whole series of tax-deductible allowances.

The 1989 budget makes a start by cutting income tax by an average of 0.5 per cent. The top rate will be reduced from 51 to 44 per cent next year, and to 40 per cent by 1991.

The fiscal burden on companies will actually rise next year as a series of allowances will be abolished and the basic rate of corporation tax will remain unchanged at 33 per cent; but it is due to come down to 25 per cent by 1990.

At the same time, in a characteristically Finnish spirit of consensus, the Government and the umbrella trade union bodies have agreed to a major "stabilisation" plan designed to keep next year's nominal wage increases at mere 1 per cent thanks to tax adjustments and previously agreed wage deals, real incomes should still increase by 2.5 per cent in 1989.

But any smugness on Mr Liikanen's part would be premature. A large number of individual trade unions have indicated rejection of the agreement signed on their behalf by the captains of organised labour.

In short, some 40 per cent of the 1.3m union members covered by the central organisations may decide to bargain for higher wages next March, threatening to topple the carefully erected house of cards.

"Liikanen's super-week", as the deals were dubbed, reflects the serious state of the Finnish economy. There was an urgent need for a concerted effort to save it from accelerating inflation, a rising current account deficit and collapse of industrial competitiveness.

The inflation rate is expected to rise from 3.7 per cent in 1987 to 5.5 per cent this year, while the current account deficit will probably sink from just over FM9bn (£1.2bn) this year to more than FM15bn in 1989. Meanwhile, gross domestic product growth will slow to 2 per cent in 1989, just half this year's figure.

Finland's economy remains in a very delicate situation.

The unions which said no to the stabilisation package include the powerful, Communist-led construction workers and the food-processing workers. In addition, two strong forest products workers' unions also refused to sign.

Mr Liikanen has now extended the deadline for the unions to decide on the package until November 15. If the abstainees still choose to stay out, repercussions for the economy may be drastic. As many observers see it, the previous incomes settlements have provided Finns with too much cash. Another generous round of wage increases would pour oil on the flames of inflation.

The Government itself has done little to cut its own spending. After helping to restrict the wage increases to 1 per cent, the Finance Ministry produced a budget that will increase government spending by 5.5 per cent in real terms.

The Government calls the budget stimulatory but many economists, and particularly industry, question the logic of the current tight monetary policy. The Bank of Finland, in an unprecedented move, promised to lower the base rate from 8 per cent to 7.5 from the beginning of next year providing all parties stick to the agreement.

But, in the meantime, money market rates remain high. The three-month Finnmark rate is about 10.5 per cent, more than 2 points above the comparable Eurodollar rate.

The stock market has turned uneasy since August, when share prices began to decline after a constant rise since the October crash. Meanwhile, trading volumes have sunk from an average FM150m-FM200m a day to as low as FM50m. Much of the liquidity has been tied to the record amount of new share issues this year. The issues decided this year amount to FM9.8bn, a 50 per cent increase over the total for 1987.

Finnish industry, particularly pulp and paper companies, continues to set production records, mainly thanks to brisk demand in Western Europe.

The main question now is how long will the upswing last. That depends not only on macroeconomic cycles but also on competitiveness.

Mr Liikanen, after presenting the three packages, took a vacation in Lapland. His departure from Helsinki symbolised the fact that the Government has thrown the ball to labour unions which now have a crucial role in shaping Finland's economic future.

Police and 'chaotic ones' clash in W Berlin

By Leslie Colitt in West Berlin

INCREASINGLY intense clashes between riot police and demonstrators protesting against the current IMF and World Bank meetings in West Berlin have aroused fears that the worst is yet to come.

"I am afraid many young demonstrators have been radicalised by the police overkill," a senior official of the West Berlin city administration admitted yesterday.

He and other West Berliners were concerned that the ranks of the anarchistic Autonomous Groups will be swollen by young protesters caught in repeated charges by baton-wielding policemen.

The masked anarchists, frequently known as the "chaotic ones", have smashed shop windows and sought battle with the hated police "bulls", as they are called by demonstrators, each evening after peaceful protesters had dispersed.

With clockwork regularity, a script worthy of the Marxist German playwright Bertold Brecht has been followed several times daily in West Berlin.

A cast of nearly 10,000 delegates, officials and bankers – ferried about in sleek Mercedes and BMW limousines to and from the meetings – represented the "ugly face of capitalism" to thousands of idealistic young demonstrators who gathered to protest against the financial "rape" of the Third World.

These were prevented from confronting their adversaries directly by an army of 8,700 policemen from West Berlin and West Germany, the largest such force assembled for decades in the city or the federal republic. The anger of many demonstrators was vented, predictably against policemen in full riot gear.

The police had strict orders not to allow the young protesters to detract from the desired image of West Berlin as a law-abiding, secure place in which to do business.

The Christian Democratic city administration, headed by its ambitious mayor, Mr Eberhard Diepgen, has made every effort to change West Berlin's reputation among West Germans from that of a vast home for the elderly infiltrated by shiftless young radicals into that of a forward-looking city crammed with high-tech industries.

The administration was determined not to let the sometimes unruly young citizens stand in the way of its ambitions to become a leading European convention centre. Its opportunity to play host to the much-regarded meetings without a hitch was seen as the acid test.

The smallest authorised demonstrations were immediately surrounded by phalanxes of riot policemen as earnest young female activists in loud-hailer trucks enumerated the alleged crimes against the Third World by institutions as disparate as West Berlin's Technical University and a large clothing shop.

The screaming of abuse at the police by a few demonstrators was often sufficient to set into motion harsh physical retribution by strapping young policemen who had been cooped up in riot vans for days.

The German Journalists' Union unwontedly protested against massive interference by the police with photographers and journalists seeking to record the nightly clashes.

The task of maintaining law and order in the city was made no easier by the fact that three Nato powers – the US, Britain and France – exercise sovereignty in West Berlin and are ultimately responsible for order. However, they delegate their police powers to the city.

Oblivious to criticism of the city authorities, Mr Wilhelm Kewenig, head of their Interior Department, praised the police force for having maintained "peace" in the city.

However, President Richard von Weizsaecker of West Germany called on the delegates to the IMF and World Bank meetings to try to "understand" the young protesters. They only wanted to call attention to the problems in some countries, he said.

IMF-World Bank meetings, Page 6

Vassiliou to brief Thatcher on peace talks

By Andriana Ierodiaconou in Athens

THE Cypriot President, Mr George Vassiliou, will brief Mrs Margaret Thatcher, Britain's Prime Minister, in London next week on the progress of United Nations-sponsored negotiations on a Cyprus settlement.

Mrs Thatcher is said by UN and Greek Cypriot officials to have helped prepare the ground for the talks, which began on September 15 and are aimed at producing overall political agreement by next June on a bizonal federal settlement for the divided island republic.

The negotiations are being conducted personally by Mr Vassiliou, representing the Greek Cypriot community, and Mr Rauf Denktash, the Turkish Cypriot leader.

The two leaders are understood to be devoting the current first phase of the talks to setting out their respective views on key aspects of a settlement.

These include the balance of political power between the two ethnic Cypriot communities and the physical security of both in the projected federal state.

The next step will be to blend these views into a comprehensive settlement package on which the two sides can negotiate.

Mr Vassiliou and Mr Denktash are next scheduled to meet on October 17 and 18 in Nicosia.

They are expected to report on their progress to the UN Secretary-General in early November.

Police seize Kosovo 'activists'

YUGOSLAV police have seized 41 ethnic Albanians suspected of trying to break links between Kosovo Province and Yugoslavia, the Interior Ministry said yesterday, Reuter reports from Belgrade.

The ministry statement, carried by the Tanjug news agency, revealed the biggest police swoop in Kosovo since Albanian riots there in 1981. It was also the first major action since paramilitary police were sent in to help quell growing unrest among Kosovo's Albanian majority and its minority Slavs.

In a separate statement carried by Tanjug, Kosovo provincial police said they seized guns, ammunition, printing equipment and subversive propaganda when they raided the group.

Tanjug said the group was seized on Tuesday on suspicion of "hostile criminal acts from the position of Albanian nationalism and separatism" and for inciting "national, racial and religious hatred and intolerance" – Yugoslav parlance for groups accused of trying to annexe Kosovo to neighbouring Albania.

It said federal police staged the action jointly with police from Kosovo, Serbia, Yugoslavia's biggest republic, and Macedonia, a Yugoslav republic adjoining Kosovo.

The federal police are a special paramilitary force. One unit was sent to Kosovo last November and this month moved from its barracks to police 22 tense Kosovo communities. The authorities said last week they were reinforcing the unit.

Tanjug said the group, whose ages ranged from 20 to 35, included eight women. It said many had been involved in hostile activity before and 18 had criminal records.

Ethnic tension between Kosovo's 1.7m ethnic Albanians and its 200,000 mainly Serbian Slav minority has been high since Kosovo Albanians rioted in 1981.

Hundreds of thousands of Serbs staged protests during the past two months, alleging Kosovo Albanians are persecuting the Slavs. The protesters have also demanded the sacking of more than 40 Yugoslav politicians for ignoring Albanian separatist moves.

A rift has opened up between Serbia, of which Kosovo is an autonomous province, and other regions of Yugoslavia. Mr Slobodan Milosevic, Serbian leader, is pushing for constitutional reforms to cut Kosovo's autonomy and crack down on separatism.

Mr Franc Setinc, a member of the Yugoslav Communist Party's ruling Politburo from Slovenia, Yugoslavia's most Westernised republic, angrily quit on Monday, saying Serbian nationalists were manipulating mass emotions and stirring up racial hatred.

He accused the Serbian press, which is under Mr Milosevic's control, of lying about what was happening in Kosovo.

EC calls for extension on steel aid curbs

By David Buchan in Brussels

THE EUROPEAN Commission yesterday proposed a three-year extension of the strict ban it imposed in 1985 on state aid to the steel industry, arguing it saw no reason for a downturn before 1991 in the relatively buoyant steel market.

The current EC code on state aid for the steel sector prohibits governments from giving companies money to expand capacity or cover operating losses.

Only certain aid for reserach and development, for environmental purposes and for the social costs of plant closures and redundancies is permitted.

The Commission proposal, on which industry ministers must pronounce before the current steel aid code expires at the end of December, is not unexpected.

But the fact that the Commission chose to propose a three-year – rather than a one-year – extension, indicates its view that the EC system of production quotas and capacity closures, which ended this summer, has left the industry in long-term health.

Any exception to the general steel aid ban requires the unanimous consent of all 12 member goverments.

This is the case of recent Italian state aids to the Finsider steel company, which is due to be discussed by EC ministers next month.

Paris forced to act in broadcasting row

By Paul Betts in Paris

THE DEEPENING pay strike in France's public sector broadcasting industry, which has seriously disrupted television and radio programmes during the past eight days, has forced the Socialist Government to intervene directly in the search for a settlement.

The Government had sought to stay out of the dispute, which is threatening to spread to the private broadcasting sector and which has presented it with its first major labour confrontation since it returned to power in June.

However, faced with a hardening of the conflict, the cabinet yesterday said it would open talks with the broadcasting profession "to redefine the tasks of the public service".

It said it would present a draft bill establishing a new broadcasting authority early next month to replace the controversial Commission Nationale des Communications et Libertés (CNCL) set up by the previous Gaullist government.

The dispute has deepened the growing discontent among other public sector unions. Nurses and prison officers have been campaigning for better pay and conditions.

Today the country's 123,000 nurses are to stage a work to rule which is likely to severely disrupt service at French public hospitals.

Other public sector employees, including teachers, have threatened action for pay rises to compensate for what they say has been a loss of purchasing power among public sector workers.

The public sector agitation has surprised the Government, which was expecting a possible wave of private sector unrest this autumn, with higher pay demands and calls for a share in sharply improved French corporate profits.

The bitter and highly publicised television strike was sparked when the Antenne 2 public network decided to recruit Ms Christine Ockrent as its new star newscaster at a monthly salary of FFr120,000 (£1,900) – six times that of the network's political editor, who has since resigned.

Although union anger over wage disparities at Antenne 2 and the other public television network FR3 triggered the dispute, discontent had been simmering since the privatisation last year of the TF-1 national network and the deregulation of French broadcasting.

The strike has already cost Antenne 2 about FFr50m through lost advertising, further weakening the public sector against the fiercely commercial private networks.

The public networks have been handicapped by budgetary constraints as well as poor management and rigid union practices. This malaise has been exacerbated by the failure of the previous right-wing government to define a clear role of public broadcasting following deregulation.

Antenne 2 has been expected to compete with its traditional rival, TF-1, but it has had the odds stacked against it because of a lack of resources.

The government has fixed a limit on the advertising revenue of public networks, which, unlike private networks, also receive an annual allocation from French television licence fees.

Since privatisation, TF-1 and the other private channels, La Cinq and M6, have put further pressure on their public rivals by adopting a fiercely aggressive US-style ratings approach, poaching stars from the public networks and running up the stakes in the bidding battles for exclusive sports and special events coverage.

Renault chief urges protection for EC car market, Page 16

Bundespost awards European mobile telephone contract to Siemens group

By David Goodhart in Bonn

THE West German Bundespost yesterday announced that the contract to build the infrastructure for the German part of the new Pan-European mobile telephone network would go to Siemens.

Although the consortium DMCS 900 – of Philips, Telenorma and Bosch – will be co-operating with Siemens on some aspects of the work, the decision to give the contract to the West German "national champion" is likely to attract criticism from other European manufacturers.

When the bulk of West European countries agreed last year to go ahead with the digital cellular network it was stressed that tendering ought to be more open than usual.

Siemens has only signed a "letter of intent" with the Bundespost, but work is expected to start soon and the system is supposed to be working by 1991.

The value of the contract was not revealed.

A second network, which will be run by a private company, will also be established to work alongside the system backed by the West German Bundespost.

Prague retaliates against UK with expulsion of envoys

By Robert Mauthner, Diplomatic Correspondent

CZECHOSLOVAKIA yesterday retaliated for the expulsion last week of three of its envoys from Britain for spying by ordering two British diplomats in Prague to leave within 14 days.

The expelled men, Wing Commander John Maynard, an air attaché, and Warrant Officer Graham Addy, an administrative officer in the embassy's defence section, were accused by the Czechs of having been engaged in "gathering information of an intelligence character, which was in direct conflict with their position."

Sir Geoffrey Howe, the UK Foreign Secretary, who is in New York for a meeting of the United Nations General Assembly, was immediately informed of the Czech decision, which provoked a sharp protest from Mr John Macgregor, Britain's chargé d'affaires in Prague.

Mr Macgregor told a senior Czech Foreign Ministry official, who informed him of the expulsion of the two British diplomats, that a straight retaliation should have been described honestly as such rather than using a baseless allegation.

The Foreign Office declined to say whether Britain would take any further tit-for-tat action – which is possible on the basis of past experience.

Four years ago, Britain expelled two Czech diplomats and when Prague responded by ordering one British envoy to leave the country, Britain replied by expelling another Czech diplomat.

However, observers believe this precedent will not necessarily be followed by Britain this time. By expelling only two members of the British embassy in Prague in response to the three Czech diplomats being ordered to leave Britain, the Czechs have indicated that they do not want to escalate the affair.

Also it was being emphasised by officials in London that only one of the two British envoys expelled from Prague had fully fledged diplomatic status and that both men were due to finish their tour of duty in Czechoslovakia in the near future.

Even if there are no further expulsions by either side, there is hardly a country in Eastern Europe with which UK's relations are now worse than Czechoslovakia. The Czechs have always been active in their UK intelligence operations.

Bulgaria releases air crash findings

By Judy Dempsey in Vienna

BULGARIAN authorities, in an apparent attempt to dampen persistent rumours surrounding the circumstances of an air crash in which 29 people were killed, have released the findings of a commission set up to investigate the accident.

The commission, which consisted of aviation, medical and other experts, concluded the pilot was responsible for the accident, which occurred on August 2.

The report, quoted by BTA, the state-run Bulgarian news agency, claimed the crew captain "had not checked that the stabiliser was not in a taking off position, which turned out to be fatal."

The release of the report is also seen as an attempt by Bulgarian authorities to be more open on sensitive issues such as accidents.

Publication of the report coincided with a letter written by the parents of those killed in the crash. In the letter, publicised last Saturday evening on Panorama, the British current affairs television programme, relatives asked for clarification on why the plane took off earlier than scheduled and why it had used only part of the runway.

The letter was apparently inspired by persistent rumours claiming the pilot was forced to take off to clear the runway for an aircraft carrying a senior Bulgarian official. But according to the BTA's short account of the commission's findings, these issues do not seem to have been fully addressed.

Spanish opposition asks leading member to resign

SPAIN'S right-wing opposition party, the Popular Alliance (AP), yesterday asked one of its leaders to resign as vice-president of the Senate (upper house) for speaking on Chilean television in favour of rule by plebiscite, Reuter reports from Madrid.

The party said the statement by its member Mr Juan de Arespacochaga was contrary to Spain's 10-year-old constitution. AP would decide today whether to take further sanctions.

"A regime based on plebiscite has, in my opinion, maximium legitimacy," Mr Arespacochaga told Chilean television.

Genscher calls for sanctions on polluters

MR Hans Dietrich Genscher, West Germany's foreign minister, yesterday backed proposals for global sanctions on crimes against the environment, saying he wanted to guard the developing world from "poison-garbage colonialism," Reuter reports from UN. He said: "We must prevent large parts of the Third World being turned into garbage depots."

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AMERICAN NEWS

Congressmen vote for sanctions against Iraq

By Lionel Barber in Washington

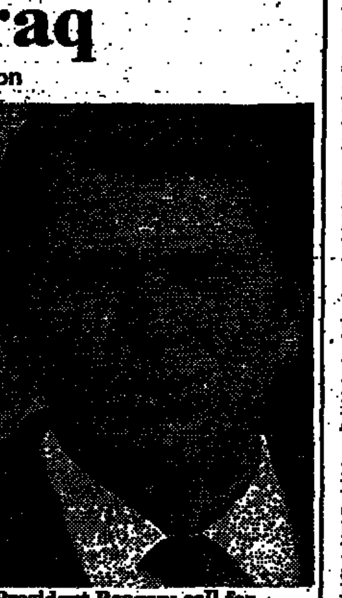
THE US House of Representatives has overwhelmingly approved the imposition of sanctions against Iraq in response to persistent reports that the Iraqi government has used chemical weapons against its Kurdish minority.

The House bill – which bars the export of weapons and sensitive technology to Iraq – is less punitive than a Senate sanctions package approved earlier this month which would also halt US credit and ban US imports of Iraqi oil.

The House bill follows a chorus of international condemnation against Iraq for its alleged use of poison gas to subdue Kurdish rebels. Iraq has also admitted using chemical weapons against Iran in the Gulf war.

The State Department opposes the legislation on the grounds that it could jeopardise efforts to convince Iraq to renounce using poison gas. Some officials are also concerned that US sanctions against Iraq could encourage Baghdad to dig in its heels in the Gulf ceasefire talks with Iran.

This week, President Reagan called for a worldwide ban on the use of chemical and gas warfare during a farewell address to the United Nations.



President Reagan: call for ban on chemical warfare

Mr Reagan also proposed convening an international conference to highlight the problem of chemical weapons which were supposed to have been outlawed by the Geneva protocol in 1925.

The House and Senate will shortly confer in committee to shape a final bill which will then go to President Reagan for signature. He will then have to decide whether to veto the legislation.

White House budget director resigns

MR JAMES Miller, director of the White House Office of Management and Budget resigned yesterday for a job in the private sector, Reuter writes from Washington.

Mr Joe Wright, the deputy director, will replace Mr Miller, President Ronald Reagan said, announcing the resignation. Mr Reagan said Mr Miller had played a key role in achieving his administration's goals of eliminating excessive federal regulation and bringing down the federal budget deficit.

"Since becoming director of the Office of Management and Budget he has been at the centre of our battle to bring the deficit down and it says something that it's been coming down almost from the day he took over," Mr Reagan said during a meeting with business leaders and administration officials on government spending matters.

Mr Reagan said Mr Miller would become a distinguished fellow at the Centre for the Study of Public Choice at George Mason University, a distinguished fellow with Citizens for a Sound Economy and chairman of an advisory board to Washington Economic Research Consultants.

Mr Miller thanked the President for the opportunity to work in his administration and promised a smooth transition.

The candidates learn a few campaign lessons

Both presidential contenders have identified education as a key issue. **Lionel Barber** reports.

GARFIELD High School in Los Angeles is one of the country's top performers, a predominantly Hispanic school whose success, particularly in maths and calculus, was dramatised in a recent Hollywood movie.

Last May, Vice President George Bush visited Garfield High and declared that intellectual achievement was not the only measure of success in the US.

"We need those people who build our buildings, who send them soaring into the sky," the Yale-educated Vice President told his audience, "we need the people who run the offices, the people who do the hard physical work of our society."

As a student of the labour market, Mr Bush may have been right; but as the Republican candidate who trumpeted his desire to be the "Education President", Mr Bush's remarks amounted one of the more celebrated gaffes in the campaign.

In recent weeks Mr Bush has begun to talk a little more thoughtfully about education, an important political issue because it appeals to the huge swathe of middle class voters worried about standards in high schools and the rising costs of sending their children to college. But his proposals still reflect what is true of the rest of his campaign: that he is more concerned with winning votes than discussing policy seriously.

US CAMPAIGN '88

EDUCATION

Mr Bush has talked constantly of promoting values in education and mixed such rhetoric with a series of Washington-based "pump-priming" education programmes: a new $500m federal programme of "Merit Schools" providing awards to individual schools with disadvantaged students; a $50m pool of federal matching funds for states creating "Magnet Schools" which stand out by dint of their specialised curricula; and $50m ($1m for each state) to experiment in education reform.

What is striking is how the Bush schemes undercut what many conservatives thought to be the most important intellectual triumph of the Reagan era as expressed by the recently departed Education Secretary Mr William Bennett: that excellence in education is not something that can be bought with more federal money, and that the government in Washington should focus more on promoting a core curriculum for schools, promoting parental choice, and raising standards.

Mr Dukakis has paid a little more attention to the innovation in the individual states which retain primary responsibility for education. But he too has largely avoided the Bennett agenda and has skirted the sensitive subject of how better to assess standards in schools.

The Massachusetts governor has focused on four areas: teaching (he intends to create a National Teaching Excellence Fund to recruit and train teachers, to be financed with a first-year investment of $250m); adult literacy (more than 23m Americans cannot read or write and the number is growing); help for disadvantaged, low-income children; and aid for students wanting to go to college.

This last issue is vital for tapping the middle class vote, and both presidential candidates know it. For Mr Dukakis, it boosts his message that the middle class has been squeezed in the Reagan years; for Mr Bush it amounts to an admission that some families are finding it hard to keep up with the spiralling costs of college education which, for a four-year course, range from $6,000 for public universities to an average of $26,000 for private colleges. (The top private universities such as Havard cost up to $18,000 a year).

The Dukakis scheme, modelled on the social security payroll tax system, would supplement federal aid for low-income students which amounts to $9bn a year. It would allow students to receive government-guaranteed loans that would be repaid by a mandatory withholding of a fixed percentage of income once the borrower got a job.

His campaign staff say the repayment would vary between one-eighth and one quarter of a per cent of income for every $1,000 borrowed. A student borrowing $8,000 (a little below the annual cost of a state college education) would pay $500 annually if he or she earned $50,000. Someone earning $25,000 would pay $250.

The Bush plan is a good deal more simple because it amounts to a tax incentive scheme for parents to save money for their childrens' further education. Income from these new "college savings bonds" would be exempt from tax if applied to college tuition.

Mr Bush's proposal has won over conservatives because it puts the burden on the family – rather than the individual student and the state – to find the money to fund college education. "It empowers parents," says Dr Chester Finn who has just stepped down as Assistant Secretary at the Department of Education.

By contrast, the Dukakis plan has a redistributive quality in that those students who go on to earn high salaries will have to repay more on their loans. Equally, they will be penalised should they wish to "buy out" of the scheme.

The college loan scheme illuminates Mr Bush's conservative approach and Mr Dukakis's innate liberal philosophy. It is a useful issue because it separates two candidates who have a good deal more in common than they would like to admit. At the very least, the debate has proved more edifying than the disputes over whether school students should daily recite the Pledge of Allegiance to the American flag.

This is the first in a series of articles analysing the presidential candidates' views on the main issues.

Junta press Pinochet to cancel plebiscite

By Barbara Durr in Santiago

INCREASING concern about a defeat for General Augusto Pinochet in Chile's presidential plebiscite scheduled for October 5 has led top members of the armed forces to try to convince the General to cancel the plebiscite and call free elections within 90 days.

The ruling junta is worried that following a victory by the opposition it would lose control of the transition process and face significant social unrest.

But President Pinochet is apparently adamant that he can win the plebiscite. The upshot is a widening division of opinion at the pinnacle of the regime.

The division reflects earlier splits among the four-man junta on whether General Pinochet should have been the candidate.

Under the 1980 constitution, a plebiscite is to be held this year for a simple yes or no vote on a single candidate designated by the junta. If voted in, the candidate is to rule for eight years in a gradual transition back to full democracy. If the regime loses the plebiscite, free elections for a president are to be called in a year.

Before General Pinochet was officially designated on August 31, a number of regime supporters and two junta members publicly indicated that they opposed him as the candidate. The fact that the General none the less prevailed is testimony to his power as chief of the army, the strongest military service.

There is considerable uncertainty about public reaction to either result. According to recent opinion polls, a Pinochet victory would be most likely to cause street disturbances.

But an ex-senator of the outlawed Communist Party, Mr Volodia Teitelboim, has just returned from exile and called for "a popular uprising" following a defeat for Mr Pinochet.

Identity card theft claimed in Chile election

By Mary Helen Spooner in Santiago

THE OPPOSITION coalition calling for a "no" vote against Gen Augusto Pinochet in next week's presidential plebiscite has charged that government partisans have offered poor Chileans financial assistance in exchange for turning over their identity cards, without which they may not vote.

The No Command reported cases in eight cities in which men in civilian dress claiming to be police detectives have stopped Chileans wearing "no" badges, demanding identification and then confiscating the identity cards. Eight people near the "No" campaign office in south Santiago had identity cards taken by men claiming to be detectives.

The No Command also say that state bank employees had offered to help Chilean slum dwellers obtain housing loans in return for their identity cards and a promise to vote yes in the plebiscite.

Argentine industrialists hit back

By Gary Mead in Buenos Aires

MR Juan Ciminari, Argentina's Minister for Foreign Trade and Industry, has been attacked by the Argentine Industrial Union (UIA) as part of a battle developing between the Government and Argentina's manufacturers.

The UIA, which gave cautious backing to the Government's new economic measures at the beginning of August, called remarks of Mr Ciminari "offensive, injurious and alarming". Earlier this week Mr Ciminari described Argentine industrialists as "true courtesans" who overcharge for their products. The UIA added that Mr Ciminari "had never visited an Argentine factory during his term of office".

The row is in context of recent government moves to open up the economy to imports by removing more than 2,000 goods from a list of previously prohibited products. This was one condition imposed by the World Bank as part of a deal to lend $1.2bn.

Heavily-protected Argentine industry sees the move as a threat to the survival of small and medium-scale manufacturers, who are dependent on producing for the domestic market. They also point to an over-valued local currency presently favouring imports. Discord between the Government and the UIA threatens the already fragile agreement to hold prices down.

Air force rebel jailed for 12 years

By Gary Mead

COMMODORE Luis Estrella, who in January this year staged an attempted rebellion at the civilian domestic airport in Buenos Aires, has been sentenced by the Armed Forces' supreme council to 12 years' imprisonment and stripped of his rank. Eight other air force officers were jailed for up to eight years for their part in the incident.

Ex-Commodore Estrella's abortive uprising coincided with the second rebellion by army units under the lead of ex-Lieutenant Colonel Aldo Rico, who is now under detention awaiting trial. Lt Col Rico rallied to himself troops protesting against the continuation of trials of army officers for alleged abuses of human rights. He is expected to receive up to 15 years' jail for the mutinies; Government officials have recently stated that his trial will be before the end of this year.

However, a fresh twist was yesterday given to the Rico case, with the resignation of retired Colonel Luis Premoli and other military lawyers from their functions as legal representatives for Rico and others awaiting trial. They argue there is no chance of an impartial hearing for Rico.

Current account problems worry Australia

By Chris Sherwell in Sydney

MONTHLY figures released yesterday underlined the persistence of Australia's balance of payments problem and offered little hope of an early end to rising domestic interest rates.

The current account deficit for August was A$1.39bn (£651m), and followed a July deficit of A$1.53bn, revised downwards from A$1.67bn, which was one of the worst performances on record.

The figures mean that in the first two months of the financial year, the current account deficit is quickly approaching one-third of the target of A$9.5bn announced in last month's budget, and already threatening to overshoot.

But as the Liberal Party opposition began taking the Government to task, Mr John Dawkins, the Labor minister standing in for Mr Paul Keating, the Treasurer, who is attending the IMF meeting, insisted there was no reason to adjust the budget forecast on the basis of two months' figures.

Analysts said the August figures also need to be treated with caution because of an industrial dispute affecting the processing of import documents and the A$99m import of two civil aircraft.

Of some comfort, too, was a revision downwards in the deficit for the 1987-88 year which ended in June, to A$11.7bn from A$11.9bn. But economists agreed that the trend underscored the priority which the Government still needed to attach to correcting the balance of payments.

On the financial markets, the Australian dollar finished at 59.9 on a trade weighted basis against other countries (May 1970=100), down 0.3 on the day. The currency has been hovering around this level for more than a week, having declined from the 62.5 level it reached last month.

More significantly, a Reserve Bank tender yesterday for A$600m of three-month Treasury Bills saw yields reach 13.68 per cent, up from last week's 13.11 per cent. This has raised the prospect of a further increase in the Bank's rediscount rate from 13.5 per cent.

The Bank has progressively tightened monetary policy over the past three months, ending a period of progressive easing which began in late 1986. The aim has been to cool down domestic demand, and in particular an overheating housing market, but it has also been designed as a broad counter-cyclical measure.

Insurgents renew attacks on Burmese military

By Chit Tun in Rangoon

RENEWED insurgent activity in north-east and south-east Burma in recent days has added to the worries of Burma's new military government already burdened with a broken-down administration, a shattered economy and a disgruntled populace.

According to official accounts, a 1,500-strong force of the rebel Burma Communist Party attacked and overrun three forward positions of the 11th Burma Regiment in the Mongyang area of northeast Burma only 20 miles from the Sino-Burmese border. Army troops suffered a total of 44 dead (including the commanding officer) and 92 wounded in this latest flare-up of fighting in the region beginning from September 14.

A military spokesman said communist casualties would have been higher, but only 36 bodies were recovered from the battle-fronts.

Heavy fighting is still raging in the area with regrouped army troops and air support from the Burma Air Force, trying to recapture lost positions.

In southeast Burma, an 80-man Karen insurgent force attacked and seized an army camp defending Methawaw, a town near the Thai-Burmese border on september 26. Official reports said one officer and four other ranks have been missing with five firearms after the fall of the camp.

Truck bomb explodes at Syrian post in Lebanon

By Our Foreign Staff

A SMALL TRUCK packed with explosives blew up at a Syrian checkpoint south of Beirut yesterday, killing and injuring several people, according to eyewitnesses. The bomb, at the Khalde intersection, was the latest incident to mar the prospects for peace in Lebanon.

Mr Hussein Husseini, the Shia speaker of the Lebanese parliament meanwhile called an emergency meeting of Christian and Moslem leaders in an effort to stave off the formal partition of the country along confessional lines. He told deputies, past ministers and former heads of state to attend an "emergency national conference" today.

Rival Moslem and Christian governments have vied for power since last Thursday when outgoing President Amin Gemayel, a Maronite Christian, appointed an interim military Cabinet minutes before his term expired without a successor being chosen.

A pro-Syrian politician said that Mr Husseini's aim was to seek consensus, but parliamentary sources said they expected few of the 41 Christian deputies of the 76 members in the house to take part in the meeting.

Yesterday's bomb appeared to have injured Syrian soldiers at their checkpoint. At least 25,000 Syrian troops are in Lebanon.

Chinese visit to Moscow

Qian Qichen, the Chinese Foreign Minister, will visit the Soviet Union before the end of the year in the first visit by a Chinese foreign minister to Moscow since the Sino-Soviet split of the 1950s, Chinese officials said yesterday, AP writes from the United Nations.

The visit would mark a warming in relations between the two communist powers, estranged for more than 20 years over questions of ideology, leadership of the communist movement and other issues.

Sources close to the delegation said Qian met early yesterday morning with Mr Eduard Shevardnadze, the Soviet Foreign Minister, at the Chinese mission and discussed the forthcoming visit and a solution to the Cambodian problem.

Details of the visit were not immediately known and there was no official statement from the Soviet Mission.

Qian, recently named foreign minister, has held diplomat posts in Moscow and speaks Russian.

South Korea heads for $11bn trade surplus

By Maggie Ford in Seoul

SOUTH KOREA is expected to achieve a current account surplus of more than $11bn this year, almost double the Government's target, according to the Bank of Korea, the central bank. But figures just released indicate that efforts to diversify exports to avert trade friction are likely to result in a lower trade surplus with the US than in 1987.

South Korea recorded a current account surplus of $839m in August compared with $364m in the same month of 1987. Reflecting nationwide strikes last year, which produced a trade surplus for the month of only $66m, this year's figure leapt to $524m.

Exports jumped 51 per cent to $5bn, bringing the cumulative trade surplus for the first eight months of the year to $6.1bn compared with $4.3bn for the same period last year.

The trade surplus with the US over the period reached $5.3bn, compared with $6.1bn for the same period last year. Officials are hoping that the annual surplus can be kept to around $8bn compared with last year's $9.8bn. Imports from the US rose 43 per cent in the first six months of this year, compared with a rise of 15 per cent in exports.

US pressure to appreciate the currency, open markets and reduce exports has spurred efforts by exporters to find new markets. This has resulted in a successful drive to crack the Japanese market.

Assisted by the publicity generated by the Seoul Olympic Games, exports to Japan rose by 55 per cent in the first six months of this year, reducing the eight-month accumulated trade deficit from $4bn last year to $2.83bn in 1988.

Trade with Europe also rose strongly with exports to France and Italy surging more than 40 per cent. Imports from the UK jumped 44 per cent while exports rose by 27 per cent, for a six month South Korean trade surplus with the UK of $387m compared with $347m for the same period last year.

Botha: meeting in Zaire?

Namibia talks in deadlock on pullout

By Michael Holman, Africa Editor

TALKS ON independence for Namibia and the withdrawal of foreign troops from Angola were deadlocked yesterday as South Africa and Angola failed to narrow the gap over the timetable for the departure of some 50,000 Cuban troops from Angola.

"The negotiations have reached a critical stage," a spokesman for the Cuban delegation said at the end of the third day of the US-chaired talks, taking place in the Congolese capital of Brazzaville.

Earlier in the day, Mr Neil van Heerden, South Africa's chief negotiator, told reporters that the the two sides had so far been unable to bridge the gap between Pretoria's demand for a seven-month Cuban troop withdrawal and Angola's offer, believed to be three years. But Mr van Heerden added that the talks were still "alive and active".

There was continuing speculation yesterday that President P.W. Botha, the South African President, will soon met President Sese Seko Mobutu of Zaire in Kinshasa, possibly this weekend.

Although the meeting is not directly linked to the Brazzaville talks, the two men are expected to discuss the role of Unita, the Angolan rebel movement, in the event of a settlement in south western Africa. The US has called for talks between the Angolan Government and Unita, and has said that it will in the meantime continue supplying weapons to the rebels.

South Africa and Zaire are Unita's main supporters in the region, and US military assistance to the rebels is channelled through Zaire.

● A limpet mine destroyed a railway siding but caused no injuries when it exploded west of Johannesburg early yesterday, Reuter reports. The explosion was the 23rd in South Africa this month, in a spate of bombings that have injured at least 40 people.

Mubarak plea

President Hosni Mubarak of Egypt yesterday urged Palestinians in Israeli occupied territories to exercise restraint in until after elections in Israel and the US, AP reports from Bonn. Mr Mubarak is in Bonn for a one-day round of talks with Chancellor Helmut Kohl and other officials.

Bank workers strike across India

By David Housego in New Delhi

BANK employees across India went on strike yesterday in pursuit of claims for higher wages and improved working conditions that reflect some of the problems of India's mainly state-owned banking system.

Unions representing some 90 per cent of banks' clerical staff are seeking an 18 per cent increase in basic wages that currently run from Rs525 to Rs1,660 (£21.70 to £68.60). Management, as represented by the Government, has offered 12 per cent.

The agreement would run over four years and replace the current four-year wage and conditions package which expired in September last year. Negotiations have rumbled on since then culminating in yesterday's long expected one-day token strike.

Management staff ran skeleton services but banks were unable to cash cheques or change travellers cheques. In Delhi a noisy demonstration of bank workers gathered outside the headquarters of Grindlays Bank – behind which lie the offices of the government officials who orchestrate the negotiations on the banks' side.

Bank employees feel that over the last five years they have lost ground in terms of pay and conditions to civil servants and that their real take-home pay has been eroded by inflation. Government employees got a 23 per cent pay increase in 1986.

In practice bank clerks are one of India's more privileged group of workers. In foreign banks, which account for some 3 per cent of national deposits but where pay and conditions are best, senior clerical staff get up to Rs6,000 a month including many allowances. A messenger's starting salary messenger is about Rs1,500 a month.

In the State Bank of India and its subsidiaries (accounting for some 40 per cent of deposits), pay and allowances are close to those of the foreign banks and promotion prospects better. In the rest of the nationalised system a senior clerical employee would expect to get Rs5,500 a month taking account of allowances. These include housing, lunch, transport, and a cost of living increment allowance.

This package covers what in most countries would be considered a short working week. Employees arrive at ten and leave at five – with banks only open to customers between 10am and 2pm. Half day opening on Saturdays mean bank staff work a 36 hour week.

Concern both by the Government and industry that the banks are providing an inadequete service to customers has been behind pressure for them to extend their working hours. This is another element in the current negotiations. Unions have responded by asking for Saturday closing in return for a slightly longer working day in the week.

Foreign banks succeeded four years ago in negotiating a computerisation agreement that allows them to introduce fully computerised services providing employment is not reduced. But in the nationalised sector, computerised operations are only in their infancy. Beyond that the unions look to the banks to create some 50,000 new jobs a year.

The bank employees have their own complaints about management. Mr P.L. Sayal, vice chairman of the All India Bank Employees Association, lamented yesterday management's "weak financial discipline" saying the banks wrote off Rs2bn in year in bad debts. Other union officials denounced the Government's practice of making political appointments to the chairmanship of banks which were nationalised in 1969.

Though the unions yesterday threatened a work to rule and further strike action, bankers believed that a compromise would be acheived around a 15 per cent pay increase. But as this is a package which would extend over four years there are also further difficult issues to negotiate over pensions and cost of living allowances. Employees in the nationalised banks want a similar pension system to that established in the foreign banks and the more privileged State Bank of India.

Thai food irradiation scheme questioned

By Peter Ungphakorn in Bangkok

A BAHT 128m (£3m) food irradiation project has aroused controversy in Thailand and Canada with critics accusing Ottawa of trying to foist unsafe technology on a developing country.

The Thai science and health ministers took the unsual step yesterday of appearing before the House of Representative's public health committee to defend the Canadian-aided project. Supported by government scientists and officials, they argued that the technology has been proved safe, and that the project will help Thailand export tropical fruit and other products.

Consumer organisations and other pressure groups disagree. They are satisfied that the food will not be radioactive. But they argue that tests on animals suggest that irradiated food undergoes harmful chemical changes and they oppose the spread of nuclear technology.

Critics also say that Thailand may not be able to export the irradiated products, particularly to Canada, despite a specific provision in the aid agreement. Canada does not yet permit the sale of irradiated papayas, mangoes and frozen shrimps specified in the project.

The agreement says the Canadian Government's atomic energy corporation will petition the Department of Public Health and Welfare in Ottawa to change Canadian law so that the three tropical products can be imported.

The experimental plant, now under construction just north of Bangkok, is intended as a pilot project with the private sector eventually adopting the technology. The Canadian International Development Agency is contributing C$4.8m-worth of equipment, technology and training, and the Thai Government is building the factory, which should handle 41,000 tonnes per year.

The formal agreement was signed on September 10, last year, the day the Canadian Government announced it had rejected a report by the Canadian parliament's standing committee on consumer and corporate affairs recommending further study before widespread irradiation is allowed. At present irradiated wheat, onions, potatoes and spices can be sold in Canada.

Mr Prachuab Chaisarn, Thailand's Minister of Science and Technology, said yesterday the ability to preserve perishable goods will help Thailand overcome protectionist barriers in Japan, North America and Europe where strict sanitation regulations hold up food imports.

He cited reports by the World Health Organisation and the Food and Agricultural Organisation published in 1980 which gave food irradiation a clean bill of health.

Thai MPs, normally ignored by government ministers when they investigate controversial issues, cited later studies which cast doubt on the conclusions of the two international agencies. They also questioned the Government's assurance that there will be no safety hazards with the 450,000 curie cobalt 60 radioactive source, which arrived in Thailand last week, or with the waste, which officials say will be treated in Canada.

The factory is designed to last 150 years with the cobalt 60 source possibly replenished every five years. Thailand has been experimenting with food irradiation on a small scale for 20 years.

Rabin gives licence to wound

By Eric Silver in Jerusalem

DOCTORS AT the British-built al-Ahli hospital in Gaza have treated more than 50 Palestinians for plastic bullet wounds since the beginning of this week, amid growing controversy over the methods used by the Israeli authorities in their attempts to crush the Palestinian uprising.

On Tuesday alone 26 cases were brought in to the hospital, and it has been a particularly bad week for casualties throughout the occupied territories. The Israeli Defence Minister, Mr Yitzhak Rabin, says that plastic bullets are less lethal than live ammunition; soldiers are authorised to fire plastic rounds, unlike conventional bullets, even when their lives are not in danger. "Our purpose," Mr Rabin told reporters on Tuesday, "is to increase the number of wounded among those who take part in violent activities, but not to kill them."

Arab doctors who see the daily effects of the new policy are not convinced of the difference. Dr Habis Wahidi, a surgeon at al-Ahli, said yesterday: "Just like live ammunition, plastic bullets can kill. They can cause much damage."

According to the Israelis, the bullets, which look like standard ammunition, are non-lethal when fired at a range of more than 70 metres. The evidence from Gaza, however, is that they are being used at much closer range in the dusty alleys of the refugee camps.

Officials of the United Nations Relief and Works Agency, which looks after Gaza's 450,000 refugees, suspect that many Israeli soldiers are no longer distinguishing between live and plastic bullets. They believe that Rabin's licence to fire the one has opened a way to more widespread use of the other.

The UN is alarmed at what it claims is a 10-fold increase in the number of gunshot wounds of both kinds over the past two months. "We have protested to the Israeli authorities," a senior official said. "But it has made no difference."

Mr Rolf Van Uye, the agency's Dutch spokesman, said yesterday that 199 cases had been reported in Gaza since the beginning of September. This compared with only 19 in July and 107 in August. Seven of the victims had died in September, as many as in the previous two months put together.

Mr Rabin has said repeatedly that there can be no military solution to the Palestinian problem. He and his army commanders acknowledge that the most they can hope for is to keep the uprising, now in its tenth month, within manageable proportions. They claim a measure of success. The confrontations are more scattered and on a smaller scale, and despite the continuing daily toll of dead and wounded, the international media interest is wavering.

As Mr Rabin explained this week, plastic bullets are an attempt to raise the cost of defiance. "I am not worried by the increased number of people who get wounded," he said, "as long as they are wounded as a result of being involvedactively, by instigating, organising and taking part in violent activities. The rioters are suffering more casualties. That is precisely our aim".

Czechoslovakia to renew links with Israel

By Eric Silver

CZECHOSLOVAKIA is to send a consular delegation to Tel Aviv as a first step towards a resumption of diplomatic relations broken off during the 1967 Arab-Israel war, Israel said yesterday.

The announcement followed a meeting at the United Nations in New York on Tuesday night between Mr Shimon Peres, Israeli Foreign Minister, and Mr Bohuslav Chnoupek, his Czechoslovak counterpart.

Czechoslovakia will become the fourth communist country to renew low-level contacts with Israel. The Soviet Union established a consular mission in Tel Aviv 14 months ago, and Poland and Hungary each have interest sections there. Israel has opened reciprocal offices in all three east European capitals. Romania is the only communist state to have kept full diplomatic relations unbroken since before 1967.

Israeli officials welcomed the Czechoslovak decision because Prague has in the past taken a particularly hard line on Israel.

Cars in Ghana do not die

William Keeling finds some successes in getting the people to adjust to demands of the world economy

"THE engine of the Volkswagen was exhausted," explained the engineer. "so I put in a Datsun engine." But does it work? "Oh yes. Last year I put a Datsun engine in a Mercedes Benz. Cars in Ghana do not die."

Whereas in Britain most of the vehicles would have been crushed into 4 ft square cubes, in this West Africa country they happily ply the nation's roads, wheels askew, huffing and puffing.

One notorious specimen is a Bedford truck now 70 years old, although the sum of its original parts would not fill a shoe-box. Desiring the creature for a museum, Bedford offered their latest model in exchange. The owner replied, "And give up old trusty. You are joking!"

Much the same problem faces Dr Kwesi Botchway, chief mechanic of Ghana's Economic Recovery Programme, whose task it has been to persuade the people to adjust to the modern demands of the world-market. Since 1983 he has been credited with a good measure of success with annual productivity growth averaging 5 per cent a year and a reduction of inflation from over 100 per cent to around 15 per cent.

He has instituted some radical structural changes, opening up the exchange rate to the free-market whim of the weekly foreign exchange auctions and insisting on the financial sanity of medium- to long-term loan schemes with the World Bank and donor states.

'Cost recovery'

The new attitude to finance has been extended to education and the health service in a manner not dissimilar to that espoused by Mrs Thatcher. Parents are expected to contribute to the cost of their children's education and those entering hospital to pay fees in what has been termed a "cost-recovery exercise". These provisions have come in for criticism but Dr Botchway has staunchly defended the move saying, "We are accused of attacking 'free-health' but health was free and non-existent! It was the same with the schools; they were free and non-existent!"

The ERP is now mid-way through its second phase and has brought with it a new political twist.

The grass-root structure originally spawned by the December 31 Revolution have played an ambivalent role. The zeal of enthusiastic cadres often antagonised the people they were intended to represent and alienated them from the process of reconstruction.

As the success of the ERP depends on the mobilisation of the cocoa-producing peasant, an effective means of communication is imperative. In November, therefore, elections are scheduled for a re-organised system of local government based on 109 District Assemblies with the aim of promoting self-help activities and ascertaining priority areas for the disburesment of development aid.

Avowed desire

These are the first democratic elections since 1979 and will provide a test of the Governments's avowed desire for for a genuine participatory democrary.

Flt-Lft Jerry Rawlings, the nation's leader, explained that "the aims of the district assembly elections and the policy of decentralisation are intended to transfer the machinery of government from the regional capitals to the communities and to get all involved in the administration of the country".

The make-up of the assemblies will, however, depend greatly on the attitude of the Government. One-third of the assemblymen will be appointed by the central authorities, ostensibly to ensure a balance of skills that mightotherwise be lacking, and the political platforms of the electoral candidates will be carefully regulated by centrally appointed District Election Committees.

In the past Ghanaians have taken the electoral leap and plunged into a politico-economic morass. The Government has reason to be cautious but unless it gives the assemblies some independence their *raison d'etre*, a means of identifying and supplying the needs of the rural majority, will be negated.

Through the District Assemblies, Dr Botchway will be hoping that a small injection of democracy may spur the chitty-chitty bang-bang economy of Ghana into finding its wings.

Police break up Lhasa protest with tear-gas

POLICE IN Lhasa fired tear-gas to prevent stone-throwing Tibetans from staging an anti-Chinese protest, a Westerner in the regional capital said yesterday, Reuter writes from Peking.

He quoted Western and Tibetan eyewitnesses saying the incident on Tuesday – the anniversary of a pro-independence march last year – began when seven Buddhist monks marched once around the holy Johkang Temple, in the heart of Lhasa, chanting pro-independence slogans.

The monks escaped in the temple precinct crowd when police appeared and Tibetan onlookers began to hurl stones and abuse at the security forces. One person was arrested and the police withdrew, firing tear-gas.

A leap in the dark in search of drug-free athletes

MICHAEL THOMPSON-NOEL IN SEOUL

AFTER the thunder and lightning of the Ben Johnson drugs scandal, it was hard to know where to turn as the Seoul Olympic Games stumbled through their twelfth day of competition yesterday.

With 17 official sports in action there was an embarrassment of choice, but with so many top flight sports apparently in the grip of drugs it was a puzzle to know where to go without falling into an opium den or otherwise besmirching one's reputation.

Weightlifting? I ruled that out immediately. Weightlifters appear unable to move from one room to the next without jerking open the medicine cabinet, and their sport is the laugh of the Games. Send them all home, I say – if there are any left in Seoul.

Volleyball or basketball? Too much aggression. Probably all that caffeine.

Table tennis? I hardly think so. I know that the Olympic ping pong action is earning enormous ratings on Chinese television, but that is what concerns me.

Synchronised swimming? Not on your life. The synchro crowd is unbelievably weird.

Judo? Probably amphetamines, though I could be misinformed.

Equestrianism? Always something in the oats.

Canoeing? Possibly morphine, to relieve the terrible pain.

Boxing? Just about anything; hence all the riots.

Archery? To do what archers do they have to be superhumanly calm and level-headed, with a very low heart rate, so we can pencil in beta blockers.

It took me four hours to work out where I couldn't go. In the end I returned to the athletics, figuring that lightning would not strike twice and that we would not have a second Johnson on our hands. We can never be sure of that, however, until the doping control laboratory in Seoul, which works throughout the night, has analysed the latest batch of 2,000 samples and flashed the all-clear to the international wire services.

It was a quiet day in athletics yesterday, though after the appalling shenanigans in the men's 100 metres, which led to Johnson's downfall, that was probably just as well.

Unfortunately for the history books, Carl Lewis of the US, one of the greatest of all Olympic champions and the man who now receives the gold medal following Johnson's disqualification, failed narrowly in the men's 200 metres final, losing by 400ths of a second to his team mate, Joe Deloach, who won in 19.75 seconds.

Lewis thus failed in his bid to repeat his four victories in Los Angeles four years ago, though he now has six Olympic gold medals and one silver, with the prospect of another medal to come in Saturday's sprint relay.

What I enjoyed most yesterday was the pole vault. So far as anyone knows, the vaulters are clean – extroverts, certainly, but as clean as new whistles.

Unfortunately for the vaulters, they are for ever being interfered with. Yesterday, for example, Radion Gataoulline of the Soviet Union was all ready to tackle 5.95 metres when 18 plumed trumpeters marched right in front of him and formed two lines while officials rolled out the red carpet so that Carl Lewis could be given his gold medal for the men's long jump.

When the ceremony had finished and Lewis had departed, Gataoulline attempted to pysche himself up again. Then the clock ran out. He was shown a red flag.

He asked an official to remove the red carpet, and studied the bar. He was ready for his third attempt. He rocked back slowly, gripped the pole hard, grimaced, started his forward motion – and 18 plumed trumpeters marched out in front of him and formed two lines while officials rolled out the red carpet so that Joe Deloach could be given his gold medal for the men's 200 metres.

Gataoulline failed at 5.95 metres, taking the silver medal while team mate Sergey Bubka collected the gold.

You would think that vaulters would be depressed, and in need of major stimulants. But I am told that they are clean.

IMF AND WORLD BANK MEETINGS

UK deficit 'will be triple' forecast

By Philip Stephens in Berlin and Simon Holberton in London

MR NIGEL Lawson, the British Chancellor of the Exchequer, acknowledged yesterday that Britain's current account deficit was likely to be at least three times the £4bn ($6.7bn) he predicted in his March budget.

He insisted, however, that the UK Government would not seek a progressive devaluation of the pound or a tighter fiscal policy to close the gap which he said would be "wholly inappropriate." The deficit would be "self-correcting" over time and meanwhile could be readily financed from abroad.

The Chancellor's comments on devaluation were taken by currency markets as a signal that the Government was prepared to underwrite the value of the pound at current levels and possibly wanted to see it go higher. Sterling rose strongly on foreign exchange markets yesterday, becoming the main focus of activity and building solidly on Tuesday's gains against the D-Mark and the dollar.

Foreign exchange traders and analysts said sterling had come back into the spotlight of market interest following the successful co-ordinated intervention earlier in the week on the dollar. They said speculators were being attracted by the pound's status as a currency backed by high short-term interest rates relative to other currencies, such as the D-Mark.

Speaking at the annual meeting of the International Monetary Fund, Mr Lawson said that this year Britain's current account deficit as a share of national income would be comparable to that of the US – at more than 2¼ per cent of gross domestic product. In cash terms that translates to about £12bn or above.

The Treasury will not give a precise forecast of the deficit until the Chancellor's Autumn Statement in November, but Mr Lawson yesterday appeared to signal that it would be fairly close to the £14bn or £15bn predicted by London economists.

He was confident that the recent strong acceleration in Britain's inflation rate would be temporary, but he would say only that the trend would reverse "some time" in 1989.

The Chancellor dismissed comparisons with the US and with previous occasions when Britain has run a large deficit. By contrast with the US, Britain was running a budget surplus, which would be "considerably larger" even than the 1 per cent of gross domestic product he forecast at the time of the budget. Equally, past deficits in Britain were almost invariably associated with large budget deficits, poor economic performance and scanty overseas assets.

"The present position could not be more different," he said. Output and productivity were growing strongly, the official reserves were high and net overseas assets were higher as a proportion of national income than in any other industrial country.

Britain's present deficit reflected private sector decisions – the coincidence of a fall in private sector savings and a surge in investment.

Both would be self-correcting in that higher investment would generate additional output and that the private sector would not be prepared to build up its debt indefinitely.

Recent rises in interest rates would also reduce the current account deficit by boosting private sector savings.

It would thus be "quite wrong" for the Government to seek to run an ever larger budget surplus to offset private behaviour. Only in the unlikely event that the deficit threatened to stretch over such a long period that its financing undermined Britain's creditworthiness overseas should policy be tightened.

Speaking at a press conference, Mr Lawson said a policy of devaluation of the pound would similarly be a "wholly inappropriate" way of tackling the deficit.

He declined to be drawn on whether his determination not to "fine-tune" fiscal policy meant he would stick to medium term.

Lawson warns on World Bank role

By Stephen Fidler in West Berlin

MR NIGEL LAWSON, the Chancellor of the Exchequer, yesterday expressed British opposition to any attempts by the World Bank to take the role of the leading institution dealing with the debt crisis.

The World Bank had a role to play in dealing with the problems of middle-income debtor-countries, but it should not usurp the role of the International Monetary Fund, he told the BBC World Service.

He acknowledged problems surrounding the decision of the World Bank's executive, announced earlier this week, to recommend the go-ahead for $1.25bn in loans to Argentina, before an IMF economic programme was in place. However, he was confident these problems could be sorted out.

He stressed that the standards of IMF economic conditions should be maintained and that it should be the Fund which sets the conditions on which other creditors depended to join financings.

"It's very important that the Fund should be in the lead position, that the Fund should be the arbiter. It should be the Fund's good-housekeeping seal of approval that, internationally, counts," he said.

The World Bank move has unleashed controversy in Berlin because of the suggestion that it has been pushed into the leading role in the Argentine case by the US Administration, against IMF staff opposition. There is also a worry that macro-economic targets set by the World Bank in its accord with Argentina will weaken IMF conditionality.

Traditionally, the World Bank has fallen in with other creditors behind IMF developing country programmes.

Six years into the crisis, debt initiative fatigue sets in

By Stephen Fidler in West Berlin

SIX YEARS into the debt crisis, debt fatigue is well established. But it only took six days of events surrounding the IMF and World Bank annual meetings in Berlin for debt-initiative fatigue to start setting in.

Despite this and even in the middle of the deluge of words produced during such meetings, some important messages are emerging.

While differences persist over the question of whether developing country debts should be forgiven – implying that debts are simply written off and the creditors get nothing in return – there has been almost no mention, inside the huge International Conference Centre at least, of the grand solutions that dominated the early debate.

Furthermore, there are few detractors from the view that debt relief in some form – either through forgiveness or through the many market-oriented voluntary forms of lowering a country's foreign debt burden that bankers call collectively debt reduction – must play a significant role if the debt problem is ever to be resolved. There is, then, broad consensus that a case-by-case approach remains the appropriate way to tackle the problem.

This indeed formed part of the proposal from Mr Gustavo Petricioli, the Mexican Finance Minister for a Berlin Pact to help Latin American debtors. Speaking on behalf of the Latin American governors of the fund, he said the aim of the pact would be to "reconcile debt reduction and new flows of development financing."

The 10-point pact would include adjustment programmes which explicitly promote growth and World Bank loans to offset principal and interest paid by developing countries. It also called for financial authorities in the industrial countries to remove impediments to debt reduction operations, and suggested industrial countries or the international institutions could provide guarantees to help countries buy their debts at a discount.

The attempts by Peru to return to more normal relations with its international creditors have caused a stir, although the enormity of the task and political realities inside Peru means there is widespread scepticism about the whether the attempt will succeed.

Of course, the move is viewed as reflecting the failure of the confrontational approach to the debt problem. The arguments were well run over in the case of Brazil, which last week declared a formal end to the debt moratorium launched in February 1987.

That moratorium is now viewed by the Brazilian government as an error, and bank economists estimate that it cost the country between $1½bn and $2bn.

This happened in five ways, they say. Brazil lost income on its reserves because it had to move them to the Bank for International Settlements in Basle so they could not be seized. Brazilian banks overseas became illiquid and the country lost trade credit lines and maturities were shortened by banks to seven days or less – virtually useless for trade. Official credits were lost, capital flight increased and as a result reserves fell.

Colombia must find it tough these days to justify being one of only two Latin American countries that has never rescheduled. It has been having a hard time persuading banks that they should help it avoid its first rescheduling, since some bankers would apparently rather deal with the country as a rescheduler. Colombia is looking for a refinancing loan of $1.85bn over 1988 and 1989, a relatively small amount for each of its bank lenders.

Banks think it could get away with $1.5bn and there the situation stands. Although it must be said that the country could improve on its tactics – offering banks more options instead of a bread-and-butter loan – its position is symbolic. What, it must be asked, is the much vaunted advantage of aspiring to the voluntary market?

As the Philippines' bankers prepare for their meetings on the country's requests for new money, the Argentina debate rolls on. In meetings here bankers said they have learned nothing more specific about that country's needs. However, they are advising the Argentines that come October, when the joint committee of bank regulators meets in the US, there had better be some progress on the country's arrears, totalling more than $1bn. A downgrading of these loans to at least substandard is in prospect.

Berlin's neuroses baffle the bankers

David Marsh on the suffocating security in the 'City of Freedom'

BEFITTING a city enveloped by zigzagging bands of concrete, Berlin has many sides. Its central place in the East-West power game also gives it a way of projecting its own neuroses beyond the Wall to the rest of the world.

Berlin has gone one better. This week's meetings of the IMF and World Bank have transplanted a slice of Berlin's contorted psyche directly into the brains of the 10,000 delegates ploughing their way through speeches, parties and cordons of riot police.

Berlin has something for everyone. Along the central Ku'damm, which remains one of the most sophisticated streets of Europe, midnight strollers could be propositioned by prostitutes before going on to watch the police line up for their nightly tribal ritual of confronting whistling, tin-banging demonstrators. The Berlin police have been supplemented by several thousand reinforcements from the Federal Republic. They all wear and brandish state-of-the-art riot gear, but mostly look somewhat nervous.

One senior British Treasury official muttered fiercely about life in a police state. A more Ritzy Bank of England man declared he was having the time of his life. Another liberally-minded delegate said that people turning up in hotels in limousines at a time of Third World debt crisis deserved to be jeered at. He complimented the demonstrators for at least knowing what the IMF was.

Whatever the response, it is clear that the overall impressions have been a lot more violently coloured than the West Berlin city fathers and the West German government originally bargained for. The German authorities have spent an estimated DM30m in hosting the meetings in what is often billed as "The City of Freedom." But, after days and nights of being swirled around a city bathed in the stroboscopic glow of flashing police lights, visitors expecting to breathe the air of liberty have been treated to a whiff of collective paranoia.

Mr Alfred Herrhausen, the chief executive of the Deutsche Bank, who likes to strike a tone of compassionate hauteur over the way bankers should approach the debt crisis, has also been taking a lofty approach to the Berlin unrest.

Addressing the audience at a sparkling performance of the Stuttgart Ballet here on Sunday night, Mr Herrhausen somewhat vaguely asked his guests to view the demonstrations as a symbol of Berliners' freedom and general determination. Delegates should have fun, he said.

Since Deutsche Bank's name was held aloft on banners at Sunday's protest march as a prime symbol of capitalist evil, Mr Herrhausen was showing unsuspected ability to turn the other cheek.

At another gala performance the next day, guests for The Magic Flute had to wade through police lines to get in, almost as if it were the Kabul opera house rather than the Berlin one.

One young policeman was asked whether, in view of the security forces' vast outnumbering of the handful of overt protestors, it was not all a little overdone. He replied indignantly that 500 metres down the road, where bands of stone throwers were allegedly gathering in the darkness, it would be a different story. The bus taking delegates back to their hotels afterwards took a deliberately circuitous route, presumably to avoid an ambush.

The security on the outside of course has permeated into the sprawling conference centre. Yet there are limits.

Young security guards have been detailed to keep journalists from walking into the governmental delegates' office area, apparently to avoid functionaries being pestered.

Pressmen who manage to put on a a glint-eyed look of official austerity, and who remember the Clint Eastwood recipe of always walking in the centre of the corridor, can nearly always manage to gut through enemy lines. It is refreshing confirmation that in flawed, glittering, Berlin, nothing can be perfect.

Poland hits at export credit curbs

By David Marsh

THE Polish government yesterday said it aimed to bring its external payments to equilibrium by 1991, but at the same time called for the West to lift barriers on international export credits impeding its growth potential.

In a speech to the IMF/World Bank meeting, Mr Wladyslaw Baka, the Polish central committee member who is the country's governor of the World Bank, stressed that Warsaw would honour obligations on its convertible currency debt of around $37bn.

He also pledged full commitment to political and economic reforms clearly modelled on Mr Mikhail Gorbachev's restructuring drive in Moscow. He warned, however, that debt servicing should not adversely affect long-term economic growth and the standard of living.

Since imports could no longer be depressed further, Warsaw's only viable option to solve its debt difficulties was to expand exports – currently earning an annual $8bn. This would give Poland "a solid capacity to service fully the foreign debt," he said.

Poland joined the two Bretton Woods institutions two years ago.

Mr Baka added that he looked forward to "active support" from both sister organisations as well as "other financial partners." Absence of support, he said ominously, would impede reform process which would be detrimental to "Poland, its creditors and the whole family of nations."

WORLD TRADE NEWS

Japanese 'responding over copiers'

By Tony Jackson in Tokyo

JAPANESE photocopier manufacturers charged with dumping by the European Commission said yesterday they had already changed their practices to conform with EC rules.

Three leading producers, Toshiba, Matsushita and Konica, face anti-dumping duties for failing to keep the local content of their European-produced copiers to an agreed level of 40 per cent.

Matsushita, which was investigated in February this year and found to be sourcing all but 1.6 per cent of its components from Japan, said it believed it had since raised its local content level to over 40 per cent. An undertaking to this effect had been submitted to the Commission at the end of August.

The Commission is expected to reach a conclusion by the end of October. Matsushita said that although it expected its argument to be accepted, the assumption was that the duty would have to be paid until the date of the Commission's decision.

Toshiba and Konica also said they had now cleared the 40 per cent level, and had lodged undertakings with the Commission. However, Toshiba said that since a final decision to impose the duty had apparently not yet been reached, the undertaking should avoid the necessity of the duty being imposed at all.

Another Japanese producer, Canon, which is the EC copier market leader with an estimated 21 per cent share, was not charged with dumping. Machines made at its plants in France and West Germany already comply with the local content requirements.

● The impact of a proposed Japan-US free trade pact should be fully studied before such an agreement is made, the Federation of Economic Organisations, Japan's most powerful business group, said, Reuter reports.

Success in the current Uruguay round of multilateral trade talks among members of the General Agreement on Tariffs and Trade is needed to prevent such a pact from excluding other countries, the federation said in a report.

EC meat exports may face US ban

By Tim Dickson in Brussels

EUROPEAN Community meat exports to the US could be banned even if Brussels and Washington sort out the current trade row over American imports of hormone-produced meat, a senior US Government official has warned.

According to Dr Lester Crawford, Administrator at the Food Safety and Inspection Service of the US Department of Agriculture, the EC's controversial hormones prohibition has led to a large-scale European black market of illicit hormone "cocktails" which is affecting consumer health.

Dr Crawford, speaking at a recent conference in France, said he believed the problem "is the inevitable result of the regulatory scheme adopted in Europe – an unscientific and unenforceable ban."

"It is well known that control mechanisms for detecting the illegal products and preventing their entry into the food chain are largely ineffective."

The US, it was pointed out, could take action under a last minute amendment to the United States Trade Bill which enables meat imports to the US to be stopped if there is evidence the country of origin cannot match US health and safety standards.

"The breakdown in control of illegal drugs in several EC countries this year raises serious questions in this regard," Dr Crawford said.

EC meat exports to the US amount to no more than $8m, but the latest threat should be seen in the light of the approaching end of the one-year exemption – on December 31 – which the EC granted the US from its blanket ban on hormone-produced meat.

This means that from next year an estimated $145m-$165m of US beef (which is produced with growth promoters) will be barred from the Community – a development to which Washington is already threatening to respond by retaliating against European products to an equivalent value.

● Mr Wilfried Martens, Belgian Prime Minister, said yesterday the European Community must strive for political union extending to foreign relations and defence.

He questioned the view expressed by Mrs Margaret Thatcher, British Prime Minister, last week that political integration was out of the question.

"I think there is no European future without a common political sovereignty in the monetary domain ... in foreign relations, in defence and security," he said.

Mr Martens said Mrs Thatcher had opened a political debate on the long-term objectives of the 12-nation group which every European leader was duty-bound to join.

Austrians target exports by design

Judy Dempsey on a revival shown by family furniture firms

AUSTRIAN furniture and design, which captured the imagination of the international artistic world in the 1900s, is making a comeback. But the most remarkable aspect of this renaissance is that buyers from Japan and other South-east Asian markets are beginning to flock to Vienna to purchase these high quality products.

Such is the trend which has affected Thonet, an old family firm whose origins go back to 1819. Thanks to the sharp and aesthetic eye of Prince Metternich (1773-1859), Austria's most famous Chancellor, Michael Thonet (1796-1871) was brought to set up his business in Vienna.

What attracted Metternich most was Thonet's pioneering achievement in bending wood, a skill which became the hallmark of his chairs which today typify the Viennese coffee house.

The family firm rapidly expanded, building their biggest factory near the forests in neighbouring Slovakia. At one time, they employed more than 10,000 people scattered throughout the Hapsburg empire. But the economic crisis of the 1920s, the Second World War and finally, the communist takeovers of eastern Europe, meant ruin for the Thonet family.

With renewed energy, the business, now run by Mrs Eva-maria Schmertzing-Thonet and her brother George, who are the fifth generation, is thriving again, particularly in the export trade.

Thonet only started exporting seriously six years ago. Selling two lines, top quality tables and chairs and institutional furniture, they first concentrated on the European markets. Thirty per cent of their own production line is now exported, of which 70 per cent is by contract and the rest going to the private consumer. Exports top around Sch15m (£600,000) from an annual turnover of Sch116m.

But Mrs Thonet reckons that the Japanese market will in future play a much greater role. In just one year, after signing a contract with Oliver, the Tokyo-based Japanese furniture business, Thonet's exports have shot up. "A third of our total export turnover now goes to Japan," says Mrs Thonet, adding that the Japanese have a particular "weakness" for Jugendstil furniture made famous by Josef Hoffmann (1870-1956) and which dominated Viennese design in the 1900s.

It is this design which has helped consolidate the export market of Wittmann, another old Austrian family firm.

The business was founded in 1873 in the village of Etsdorf am Kamp, the heart of the wine region just north of Vienna. The firm, never as big as Thonet in the pre-war period, has since 1945 earned a worldwide reputation for its elegant design and style exemplified by its sofas and chairs which are its two main and best selling lines.

More than 60 per cent of the annual turnover of Sch200m is now earmarked for exports, half of which go to neighbouring West Germany and the rest to the Netherlands, France and the United States.

But like the Thonet business, Wittmann has also been "discovered" by the Japanese.

The company is in an excellent position to exploit this market. In the early 1970s, thanks to Hoffmann's widow, Karla, Wittmann was given the exclusive rights to reproduce his furniture. And after sensing the growing interest of anything "fin-de-siècle" in Japan, Wittmann recently signed a contract with Aidec, the large furniture distribution agent in Tokyo. Although total Japanese export sales amount to less than 1 per cent, Wittmann sees this market expanding.

But if the Japanese market is proving a huge success for both family firms, in contrast the British market proves an enormous headache. Mrs Thonet says its seems impossible to set up the right distribution network and find retail outlets. Wittmann says the same. But they both realise it is a potentially huge market. But one day, they feel, like the expanding Japanese market, London will discover Thonet and Wittmann.

Furniture by Wittmann which is attracting the Japanese

Indonesian private steel mill wins development credit

By John Murray Brown in Jakarta

A PRIVATE Indonesian company has won backing from the Asian Development Bank to build a semi-integrated steel mill at a total cost of $79.5m.

At a board meeting in Manila this week the ADB approved a $15m loan for Gunung Garuda, a private Chinese Indonesian company based in Medan, north Sumatra. The plant will produce rolled H-beams for the construction industry, the first mill of its type in South-east Asia.

The bank said the loan – ADB's second credit to support Indonesia's private sector – would play a role in ensuring the flow of other funds from local commercial banks. Company officials yesterday confirmed the shareholders would put up 40 per cent of the funding as equity with the remainder raised from local and foreign banks. The US and other members of the ADB board have reportedly pressed for an equity stake in the project, a move resisted by Gunung Garuda.

The project at Cibitung near Jakarta includes a rolling mill with capacity of 200,000 tonnes a year, together with electric arc furnace and continuous casting producing 236,000 tonnes of blooms, the raw material for the rolling mill. Construction on the rolling mill began in early 1987, with production starting next year. Indonesia already produces welded H-beams.

The project is expected to save about $24m in foreign exchange, according to the ADB. However, industry observers point out that the project's success depends greatly on maintaining high tariff levels. The World Bank and many in the Government have been calling for less protection in what has been one of the most protected of Indonesia's industries.

The Indonesian Chinese Liem Group, which has a stake in a $825m cold rolling steel mill at Cilegon West Java, was earlier offered a licence for the H-beam plant but declined. Indonesia currently imports H-beams from Japan at $440 a tonne, compared with Gunung's projected cost of production at the new plant of $307.

Reagan vetoes apparel bill

PRESIDENT Ronald Reagan yesterday delivered his promised veto of the Textile, Apparel and Footwear Trade Act of 1988 which would limit the growth of imports of these goods to 1 per cent annually.

He denounced the measure in a written statement, saying: "It would have disastrous effects on the US economy. It would impose needless costs on the consumer [and] threaten jobs in exports."

Lufthansa to spend DM1bn

By David Goodhart in Bonn

LUFTHANSA, West German national airline, yesterday announced a DM1bn ($534m) investment programme in new aircraft and a new cargo terminal in Munich. The eight new aircraft – all but one of which will be made by Boeing – will contribute towards Lufthansa's aim of increasing its fleet from the current 150 to more than 200 by the mid-1990s.

Iran offers Brazil oil-for-aid deal

IRAN IS prepared to boost oil exports to Brazil in return for help in rebuilding the Iranian economy after the Gulf war with Iraq, according to Brazilian Government officials, Reuter reports from Brasilia.

The officials said that in return for Brazilian help, Tehran was prepared to boost oil exports to Brazil from around 60,000 barrels a day to 150,000 b/d.

They said that Iranian Industry Minister Gholamreza Shafei made this clear in a speech to a new joint ministerial commission set up to study co-operation between Iran and Brazil.

Despite a programme to tap its own oil reserves, Brazil still imports around 600,000 b/d, which is around half of its oil needs.

Californian tax move fails to satisfy UK

By Peter Montagnon, World Trade Editor

MODIFICATIONS to California's tax legislation have failed fully to satisfy the objections of British companies worried about its practice of taxing foreign concerns on the basis of their world-wide income.

As a result the UK Government may decide not to relinquish its powers to impose retaliatory sanctions against British subsidiaries of US companies when the matter comes up for review at the end of the year.

Though new Californian legislation has improved the way in which foreign companies are treated for tax purposes by California's Franchise Tax Board, the state has retained the right to charge a fee to companies which elect to be taxed only on their local revenues rather than on their worldwide income.

"While we feel substantial progress has been made, the election fee has to be eliminated," said Mr Peter Welch, the former Foseco Minsep Finance Director who chairs the Unitary Tax Campaign lobby group.

British assumed powers to retaliate against US companies in 1985 but has not used them. Yesterday the Treasury said it was pleased that some progress had been made in the new legislation but declined to say whether the sanction powers would be scrapped.

It seems unlikely, however, that the powers would be dropped before the matter of the election fee was settled.

The issue has attracted widespread interest in Parliament where more than 300 MPs signed a motion earlier this year which called on the British Government to retaliate.

However, a spokesman for the Unitary Tax Campaign said that the new legislation introduced a much greater degree of certainty by providing for a judicial review in cases where the Franchise Tax Board sought to impose penalties for non-compliance.

Given California's $2bn budget deficit, it was never regarded as likely that the election fee would be scrapped this year.

UK NEWS

Customs checks aboard Chunnel trains ruled out

By Kevin Brown and Ivor Owen

PLANS FOR customs and immigration checks to be carried out on board Channel Tunnel trains between England and France were yesterday ruled out by Mrs Margaret Thatcher, the Prime Minister.

The decision surprised British Rail, which thought talks on the issue were continuing with the Home Office and Customs and Excise.

BR was also surprised by the manner of the Prime Minister's intervention, which was made in a letter to Mr Robert Adley, a Conservative MP with a special interest in railways.

The decision means that passengers arriving at BR's Channel Tunnel terminal at Waterloo in London will have to pass through an airport-style customs hall before leaving the station. Passengers bound for Europe will have to clear passport control before boarding the train.

The Prime Minister's announcement is in line with recent Government concern that abolition of border controls after the completion of the European internal market in 1992 would leave the UK vulnerable to increased drug smuggling and terrorism.

This was underlined yesterday by Mr Douglas Hurd, the Home Secretary, who said that the creation of a single European market in goods and services "does not require us to abandon border checks against terrorists, drug smugglers and other crooks."

However, the Government has already agreed that customs and immigration checks can be carried out on trains for those passengers travelling from the Continent to destinations beyond London.

This provision was included in the Channel Tunnel Act, the legislation which provides the legal basis for construction of the tunnel, which is due to open in 1993.

BR said it was not aware that any formal decision had been taken, or that discussions with ministers and officials had ended. However, it had become clear in protracted negotiations that the Government was unlikely to agree to on-train checks for all passengers.

Both BR and Eurotunnel, the Anglo-French consortium which is building the tunnel, said that customs checks at Waterloo would be unlikely to add significantly to journey times. Eurotunnel said the Prime Minister's decision would not affect its traffic and revenue forecasts.

Mr Adley said that Mrs Thatcher's letter was disappointing. "Our Continental partners carry out checks on trains and have done so for years. Somehow, in Britain, we seem to believe that the opening of the tunnel will mean a flood of drugs and illegal immigrants crossing the Channel," he said.

Mr Hurd, speaking to Conservatives in his Witney constituency, said that he strongly supported the Prime Minister's view that the UK's vital national interests had to be secured as the European Community moved closer to the integration of its markets.

Britain would not oppose simpler frontier controls, but it would be ludicrous to contend that the Government's crack-down on serious criminals should extend everywhere except frontiers, where it was often most easily applied.

Democrats angrily rebuff approach by president of SDP

By Michael Cassell, Political Correspondent

AN ATTEMPT by the President of the Social Democrat Party, the grouping which resisted merger with the former Liberal Party, to reopen a dialogue with the newly merged Social and Liberal Democrats collapsed dramatically yesterday.

Mr John Cartwright, MP for Woolwich in east Londn, had been invited by Mr David Alton, the SLD member for Liverpool, to speak at a fringe meeting during the Democrats' conference at Blackpool. But his attempt at bridge-building, following the acrimonious split in the Alliance parties after last year's general election, met with hostility during a bad-tempered meeting.

Mr Paddy Ashdown, the Democrats' leader, said afterwards that the meeting had "put an end to this entire issue." Mr Alton's case, he stressed, had been closely argued and well understood but had received no support.

Mr Ashdown added: "I hope Mr Cartwright and others accept that the party has taken a view and reinforced it. If they want to find partners in electoral expediency, they should look for them elsewhere."

Mr Cartwright, whose presence was ignored by most other members of the Democrats' parliamentary party, stressed that he was not seeking a new agreement on the allocation of constituency seats or looking for local pacts.

However, he said he found it hard to accept that the groups which had campaigned together as the Alliance party had become "overnight enemies" and suggested that it was in the interests of both sides to stop the "sniping, abuse and personal attacks" of recent months.

His critics, in turn, accused him of helping to found a party based on one-member-one-vote and then, in rejecting the SDP majority decision to join forces with the Liberals, of showing contempt for the principle.

Mr Alton, who has incurred the anger of most of his Democrat colleagues for his stance, told the meeting that the two parties risked years of "grievous attrition and internecine warfare" if they failed to co-operate.

He said the Democrats were misguided if they believed that, at the next election, they alone could replace the Labour Party, destroy the SDP and end Thatcherism.

Judging from the mood of the meeting, any further efforts to improve the climate between the two parties will receive little significant support. But Mr Cartwright and Mr Alton said they would continue with their initiative.

The Democrats yesterday set the timetable for the election of a deputy leader. The post will be filled by an election among the party's 19 MPs and the winner will be confirmed on November 2.

The two most obvious candidates are Mr Alan Beith, defeated in the leadership ballot by Mr Paddy Ashdown, and Mr Menzies Campbell, the newly appointed defence spokesman, although Mr Campbell said yesterday that he would not stand if Mr Beith put his name forward.

Although Mr Beith indicated after his leadership election defeat that he was unwilling to serve as Mr Ashdown's deputy, he appears this week to be increasingly coming round to the idea of standing.

Minister outlines plans for revitalising universities

By David Thomas, Education Correspondent

THE GOVERNMENT yesterday outlined a programme of reforms designed to transform Britain's universities by the end of the century.

The programme is a tacit admission that the newly enacted Education Reform Act is insufficient by itself to prod the universities in the direction desired by the Government.

The programme, outlined by Mr Kenneth Baker, Education Secretary, to the annual meeting of university vice-chancellors in Oxford, will centre on three main elements.

First, greater stress will be placed on the quality of academic teaching and a separate inspectorate independent of the universities might be established to monitor academic teaching.

Second, the funding of universities' teaching and research activities will be separated, leading possibly to the emergence of departments or universities dedicated to either activity.

Third, student fees will be raised, so that universities will have greater incentive to compete among themselves for students.

Mr Baker told the vice-chancellors: "I foresee a period of evolutionary change which by the end of the century, if not before, will result in a distinctly different regime from the one that we have now."

His speech made few firm proposals and gave no indication of the timing of any measures. However, it laid down the directions in which the Government intends to move the universities.

Quoting recent business concern about the quality of university teaching, Mr Baker told the vice-chancellors that universities had not paid enough attention to monitoring teaching quality.

He suggested an independent monitoring body, similar to the schools inspectorate, if the universities could not put their own house in order. However, the vice-chancellors, reacting strongly against this idea, believe that their own academic standards unit, to be unveiled today, will answer his concerns.

Mr Baker also made the strongest statement by a minister in favour of fostering greater competition between universities by raising student fees. "Your efforts would become better tuned to what your students want and the balance of power would shift towards the individual consumr and away from the centre, he said."

Work experience plan launched

By Our Education Correspondent

THE GOVERNMENT is to appoint a national network of educational advisers to persuade companies and schools to give 50,000 teachers a year business experience and all secondary pupils work experience.

Six companies and business organisations immediately pledged their support for the scheme at a launch in London yesterday attended by three Cabinet ministers and representatives of several hundred employers.

The main teaching unions, however, attacked the Government for failing to consult them about the business experience programme for teachers and also for not paying more to teachers giving up part of their holidays to work in a company.

Lord Young, Industry Secretary, said the scheme was intended to break down suspicions between employers and teachers. It would also give companies which had complained about schools the chance to become involved with them.

The 140 educational advisers, to be based in local organisations such as chambers of commerce, are to act as an information point for companies and schools seeking advice on the numerous types of links which have grown up between education and business.

They will also be charged with trying to ensure that the Government's targets for teacher and pupil business experience are met.

According to Lord Young, 1 per cent of teachers get business experience each year at present. He wants that to increase to 3 per cent next year and 10 per cent by 1990 – equivalent to about 50,000 teachers a year in England, Scotland and Wales.

For pupils, the Government's aim is that all should have at least two weeks work experience before leaving school, Mr Kenneth Baker, Education Secretary, said. Up to two-thirds did so at present.

The Government is making £12m available over two years for the initiative.

Spain refuses to allow policeman to testify at Gibraltar inquest

By Peter Bruce in Gibraltar

THE SPANISH Government is refusing to allow a senior police officer to give evidence in Gibraltar on Spanish surveillance of three IRA terrorists before they were shot dead in Gibraltar by British soldiers March 6.

The inquest into the deaths of Sean Savage, Daniel McCann and Mairead Farrell was told yesterday that the Malaga-based officer was keen to testify, but was being prevented from doing so.

Earlier, the court also heard a Government explosives expert attack evidence given on Tuesday to the effect that it would have been impossible for the terrorists to detonate a radio-controlled bomb in their parked car from where they were shot.

Det Chief Inspector Manuel Correa, the coroner's officer, said he had taken an unsworn statement from the officer and that on Tuesday he had delivered a letter from the coroner, Mr Felix Pizzarello, asking him to appear at the inquest.

The man had said he had been denied permission. Mr Pizzarello refused to allow his statement to be entered as evidence.

Spain does not recognise the Gibraltar court. The officer's evidence could, however, throw light on why the British military and Gibraltar police seemed unprepared for the three when they crossed the border from Spain on March 6.

Surprisingly, it was Mr John Laws, representing the Crown at the inquest, who asked the coroner to allow the statement to be read. It had previously been thought that the British Government might want to suppress details of Spanish co-operation in the tracking of the three dead terrorists. "Clearly, this man is being prevented by the Spanish from coming here to given evidence," Mr Laws said.

Earlier, Prof Alan Feraday, a senior government scientist, told the inquest it was possible to detonate a car bomb using a radio signal from anywhere in Gibraltar or even from across the border in Spain.

The three IRA members were killed by members of the British SAS (a special unit) about two miles from where they had parked a suspected car bomb. The SAS has said in evidence that they were shot to prevent them triggering a bomb. The car was later found to be empty.

On Tuesday another expert in radio controlled devices, Dr Michael Scott, called by counsel for the families of the victims, had said they had no chance, technically, of detonating a car bomb from where they were killed.

Dr Scott said he was so sure of his position that he would have sat his mother on the suspected car bomb that far from the terrorists, and with the many buildings between them, without fear of a radio signal functioning.

But Prof Feraday, recalling that Dr Scott's tests had transmitted some weak signals over the distance, said a radio receiver would need to "hear" a triggering tone for just 0.2 seconds to work.

A British Army signals officer told the inquest that tests he had done on Tuesday night had shown that ordinary hand-held radio voice and single tone transmissions to the point where the car was parked from where the three were shot were possible.

The inquest, which may end this week, also heard further testimony from Mr Kenneth Asquez who on Friday denied written assertions earlier this year that had seen a soldier put his foot on one of the terrorist's chest while pumping bullets into him.

A "statement" he had made to a retired army major, Bob Randall, was used anonymously in the controversial Thames Television film "Death on the Rock." Mr Asquez said Major Randall may have heard a conversation he had had and then repeatedly asked him for a written report. Payment for the report was mentioned but not any amount.

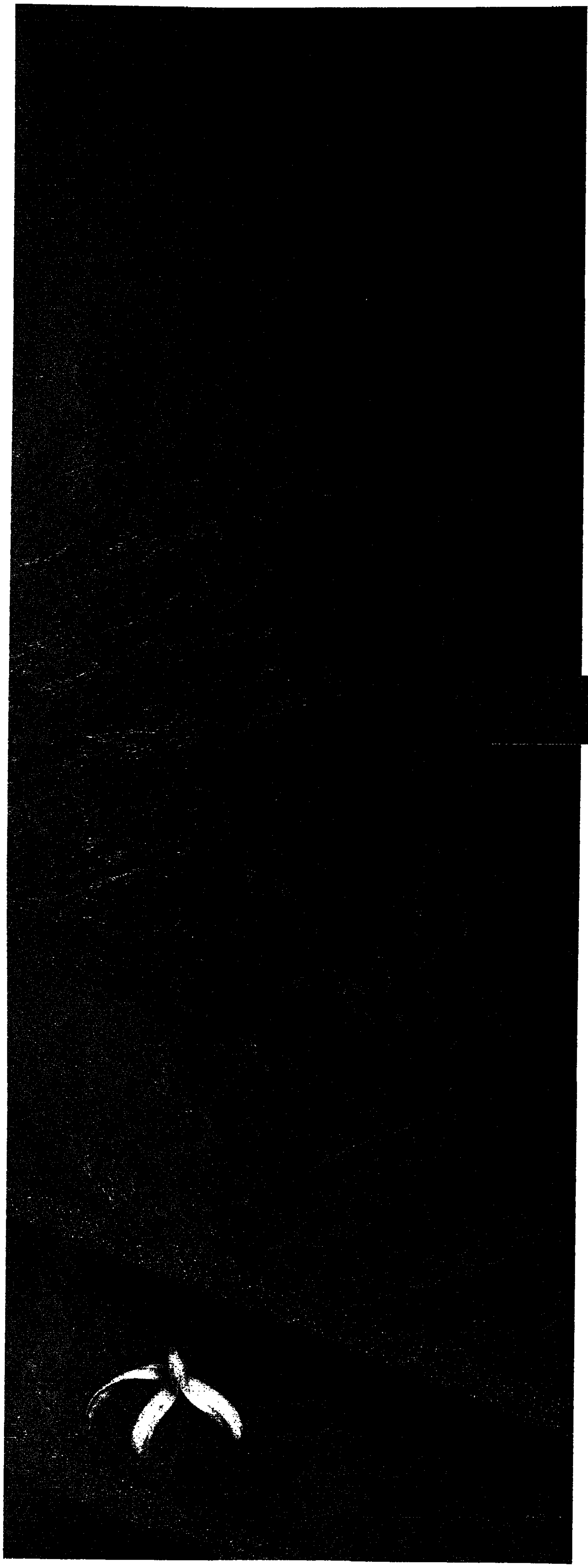
"I thought that when I gave him the statement he would get off my back," Mr Asquez said. Maj Randall is on holiday in the US.

DTI winds up investment company

By Clive Wolman

AN INVESTMENT company in the Luton area of Bedfordshire which has been illegally taking money from the public – and is estimated to have lost £900,000 of it – has been closed down by the Department of Trade and Industry.

The DTI announced yesterday that it had presented a petition on September 16 for the winding-up of Bestdown Ltd following an investigation into the company by the accountancy firm Spicer and Oppenheim, which discovered the shortfall of investors' funds. The investigation was set up after a client had complained to the trading standards officer about difficulties he was having in getting his money back.



BUSINESS LAW

A word of caution on EC merger control

By Celia Hampton

THE European Community's plan for a central system of merger control illustrates the realities of European unity more cogently than any amount of political rhetoric.

Concepts underlying the plan are respected by the EC's sovereign members without demur. The Treaty of Rome lays down rules binding firms in every EC country to conduct their business in a way which does not imperil competition in the European market. National courts and legislation cannot excuse, let alone encourage, contrary behaviour. The EC long ago pre-empted its members' sovereignty for this purpose.

Controlling commercial conduct goes a long way towards eliminating anti-competitive behaviour, *but it is not the full story.* A rich and powerful company can do harm, not only by abusing its power, but also by buying up the opposition or joining forces with another powerful company. In its effect, the second sort of activity is not so dissimilar from the first. However, only the abuse of existing power is currently subject to EC control.

It is important for industry to have a single bureaucratic review process

The EC Commission is seeking *a mandate from the member countries* to control both sorts of activity. While it can claim convenience and some logic in support, it is extraordinarily important for any plan adopted to ensure a lastingly sound framework for what is undeniably a new venture for the Commission.

The separation of competitive behaviour from industrial structure, accepted for decades *in EC law, was not accidental.* It is one thing for Brussels to police a system of sanctions for misconduct. It is quite another to weigh up EC-wide economic considerations before the event. Apart from needing to secure the necessary wisdom, the Commission will need a lot more staff for its new role in economic management.

The Commission's quest for these powers was given a new urgency by the European Court's judgment last November, when it ruled that the Treaty of Rome's provisions on restrictive practices, while not applying to acquisition of shares as such, applies to the agreement for the collaboration necessarily involved in a takeover or merger.*

This threw everyone into a state of confusion. If the Commission was to have the very real powers afforded by the treaty over anti-competitive conduct extended to mergers and takeovers, it would make some sense for the Commission to be able to pass a merger in advance and then desist from enforcing the treaty later.

It is important for industry to have a single bureaucratic review process, for the sake of *consistency and predictability* as well as speed. Some certainty is vital when big companies are planning expensive and complex structural deals.

The Commission proposes that it alone should have power to decide whether a planned merger or acquisition on a European scale is or is not consistent with the interests of European competition. The member states can probably swallow this loss of sovereignty, though it may be bitter for countries like West Germany which have strong and *sophisticated competition* processes of their own.

However, the Commission's plan seems set on a collision course with national regulation – with dire results for industry too – in those adjacent areas loosely classified as industrial policy. An example is the UK's "public interest" test. *All countries* reserve some areas for domestic control (the Italian legislation on banking and insurance, for example).

The Commission is trying to separate competition in the strict sense from these other areas. Member countries are told to refrain from taking measures which would undermine the Commission's merger decisions. They would not, *however, be stopped from* taking measures to protect legitimate interests other than competition.

This leaves industry facing two inquiries (EC and national) in just those cases which are likely to be most sensitive and contentious.

The Commission plans to *have a significant say in industrial policy* anyway. It would be allowed to approve a merger, otherwise open to condemnation, because of a resulting improvement in production and distribution, technical or economic progress, or the competitive structure within the EC. In assessing the competitive structure of industry, the Commission would reinforce its proposed extension of *power over the "creation and strengthening"* of a dominant position in the market.

If the national governments agree to this, which is by no means certain, they are most unlikely to give the Commission yet more exclusive power to decide on broader issues of industrial policy. Yet something *must be done to resolve the problem.* What is needed is some form of power-sharing. Industry must have certainty, and that within a reasonable time of hatching its plans.

The Commission proposes "close and constant liaison" with national competition authorities. It would have to *elicit the views of those countries directly concerned with a merger* and it would have to take the "utmost account" of the opinion of an advisory committee drawn from all member countries. At the end of the day, *however*, the Commission would retain the exclusive power to decide.

It would be difficult, but not impossible, to resolve conflicts between the Commission and the national authorities when each has an interest in a merger. It needs something stronger than "liaison" and more in the nature *of a joint decision.* The prospect of one investigation following the other with conflicting results has to be avoided.

The Commission's plan would affect all *large* companies with a presence in more than one EC country and virtually any takeover or merger plan they made.

Uncertainty in the plan also arises from Community law itself. The Treaty of Rome provides the ground rules which are applied, not only *vis-à-vis* the Commission, but in the private *legal relationships* of EC subjects. What the treaty prohibits may not be permitted. An agreement in violation *of* the treaty is void. Typically, a contracting partner will assert that he does not have to pay under an agreement because it is void under Community law.

The Commission's merger proposal is not (except on a highly theoretical argument) inconsistent with the treaty, *but neither is it altogether con*sistent. The founders of the EC did not provide for merger control. If the Council of Ministers enacts the proposal as a regulation, the regulation itself has to be read subject to the treaty.

The European Court's 1987 judgment said that property rights, as bought or transferred in a merger or takeover, are not themselves within the treaty's control of competition, though the agreement needed to give effect to them is. To maintain a rigid separation of property rights from commercial conduct lacks realism: an acquisition of shares has to result in an agreement on how to run the business, even if a takeover is hostile.

The Commission has power *to grant an exemption from the* ban on restrictive practices. In view of the imperative need for speed in merger proceedings, this normally leisurely process would have to be cut short. The Commission might issue a general "block" exemption for all approved merger agreements.

There can be no exemption for abusing a dominant position in the market under the treaty, however. An agreement challenged in court by, say, an ex-employee could be found void on this ground. Could the company plead the Commission's authorisation of the merger as a ground for upholding *the agreement? Could* a provision of EC legislation which is subordinate to the treaty be invoked against the treaty itself? The status of the Commission's authorisation would be left uncomfortably vague.

It is also sad that the mergers of giants – the only ones to be caught by Commission vetting – would benefit from the greater speed and security offered by the Commission's plan, while mergers between smaller firms would continue to suffer delay and all the uncertainty thrown up by the court. They need a clearer definition of the treaty's rules, either by revision of the treaty (most improbable) or by a court judgment confining the meaning of its earlier ruling.

Mergers between smaller firms would still suffer delay and uncertainty

These difficulties may seem unduly theoretical, but the plan to introduce merger control offers the EC a chance to work out a well-founded watertight legal regime, rather than a politically expedient compromise where no one quite knows where they stand. What is increasingly plain is that it should not be done in a hurry, whatever good reasons may be put forward for doing it before the end of the year.

* *Cases 142/84 and 156/84 (Philip Morris) November 17 1987.*

TECHNOLOGY

Farming tips given by a computer

By Geoffrey Charlish

OBSERVATIONS made during a country walk do not usually include sightings of computers nailed to trees. But that may change if engineers at Fiat's electronics company SEPA successfully market a unit called Agrel.

The objective is to tell farmers, on a highly localised basis, when they should apply water or chemicals at a minimum level to keep the crops healthy.

Since these moments are largely determined by sunshine, rainfall, frost and so on, some kind of central meteorological control might seem appropriate. But because conditions can change over distances of a few hundred metres, Fiat claims that a much more local system is the real answer.

Its Agrel unit measures temperature, humidity, rainfall, evaporation, foliage dampness and dew. A program in the computer then tells the farmer what to do, and when.

The machine is battery powered and can be exposed to the air indefinitely. One version will automatically start irrigation systems.

One of the earliest units was able to combat mildew on grape vines with savings of up to 30 per cent on chemicals expenditure.

Fiat can be contacted at its London office on 491 0561.

The healing machine that radiated death

David Fishlock examines the conclusions of an inquiry into a tragic leak of gamma rays

Four people died and 275 lorry loads of nuclear waste were created almost overnight in an accident probably second only to Chernobyl in its severity.

The tragic tale is told in a report* just released by the International Atomic Energy Agency in Vienna, whose experts investigated what they conclude was one of the most severe radiological accidents.

It is a horror story that must demolish any notion that there are benign and hostile kinds of radiation, the former used in medicine and the latter generated by nuclear reactors. Gamma rays — which in expert hands had promoted healing — proved as deadly as those from any reactor when released by ignorant fingers.

There is, though, a positive side to the story, in that new ways of treating people overexposed to radiation were tried, in one case with evident success.

The accident happened last autumn in Goiânia, a city of about 1m people on the central Brazilian plateau, in a poor district where literacy is low. It occurred at the Instituto Goiâno de Radioterapia (IGR), a private clinic providing radio-therapy for cancer patients.

The story begins about three years ago when the IGR moved to new premises, leaving behind — against the law — an elderly instrument for radiotherapy, made in the 1950s. In 1987, two local scrap dealers spotted an opportunity to sell its parts profitably, particularly the moveable radiation head made of stainless steel, weighing some 300 kg.

They prised this head from its stand and moved it by wheelbarrow to one of their homes, half a kilometre away. By then they were vomiting; it turned out that by removing it from its support they had released the gamma beam. However, they thought it was just something they had eaten.

One of them sought medical advice and was told he was having an allergic reaction to bad food. The other, beneath a mango tree in his garden, continued attempts to dismantle the head, and eventually poked a screwdriver through the window from which the radiation was emitted.

This released grains of a substance with an intriguing blue glow. The same day he sold the various parts to the manager of a scrap yard. Over the next three days the manager's wife, relatives and friends all came to admire the glow. Some took away samples. Some daubed powdered grains on their skin like the glitter Brazilians use at their carnivals.

The glowing powder was a salt (chloride) of caesium-137, a radio-isotope chosen by the maker of the teletherapy machine for its intense gamma activity. Within four weeks its radiation was to kill the manager's wife, two young employees and his brother's six-year-old daughter.

The wife was first to catch on that the sickness which suddenly afflicted their community had something to do with the glowing granules. She collected what remained of the radiation source, took it by bus to a local doctor and proclaimed that it was "killing her family", only to be assured that they were suffering from a tropical disease.

One doctor, however, asked a physicist to investigate, and he in turn contacted a medical physicist, who borrowed a radiation monitor from Nuclebras, the state-owned nuclear company. The instrument deflected full-scale when still some distance from the source and pointing away, convincing the user it must be defective. He asked for a replacement, before realising that he was in the presence of a major radiation leak. This was just in time to prevent the local fire brigade from disposing of it into the river.

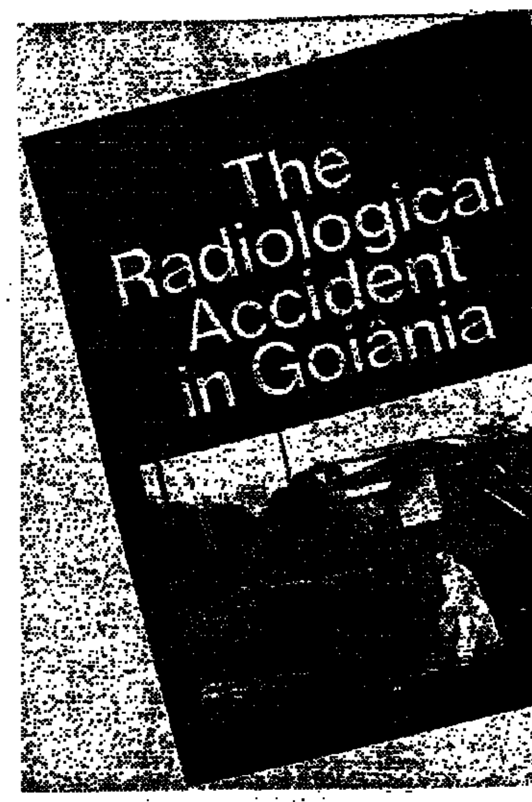
It was then 19 days since the head had been prised from its support. The local authorities initiated a full-scale emergency under the direction of the Brazilian National Nuclear Energy Commission (CNEN). It promptly identified 20 people needing hospital treatment and another 229 who were contaminated by radiation out of a total of 112,000 tested, a tenth of Goiânia's population. Altogether, 85 homes had been significantly contaminated by the peripatetic leak and 200 people were evacuated from 41 of them.

Those who died were estimated by cytogenetic analysis (gauging the amount of chromosome damage) to have received whole-body doses of between 4.5 and 6 Gray of radiation. Two others, estimated to have received similar doses, survived. Gray is a measure of absorbed radiation dose and 5 Gray would generally be lethal.

A new hormone-like drug, made by the latest methods of biotechnology, called granulocyte macrophage colony stimulating factor, was used to treat irradiated people. But its results were questionable, perhaps because the doctors did not have enough time to perfect their regime for administering it, the IAEA experts conclude.

However, another part of the medical treatment used for the first time proved remarkably efficacious. The seriously contaminated patients, while not literally glowing, were exuding radioactivity from every pore and every orifice. Many had handled the radio-isotope before eating, for instance.

The Brazilian doctors used a drug called Prussian Blue (hexacyanoferrate) to eliminate the caesium from the bodies of 62 patients — including babies — for the first time in the history of radiological accidents.



About 80 per cent of caesium is "decorporated" in this way in urine and 20 per cent in faeces.

The accident produced 3,500 cu m (about 275 lorry loads) of radioactive waste, including 350 kg of faeces, dealt with by mixing it with quicklime and cement. All this is in storage, awaiting a Government decision on its permanent disposal.

Under the terms of its licence from CNEN, the clinic had designated two people, a scientist and a doctor, as jointly responsible for the equipment, and for reporting any change in its status to the licensing authority. This aspect is still the subject of legal proceedings.

Also still under investigation at a US research centre is the blue glow which lured so many unsuspecting Brazilians to sickness and death.

* *The radiological accident at Goiânia. ISBN 92-0-129088-8. Published by the IAEA, Vienna, September 1988.*

AN EMERGENCY centre has opened at the International Atomic Energy Agency's headquarters in Vienna, prompted by the Chernobyl explosion.

Running around-the-clock, it receives official notification of an accident and then decides whom to alert (for example in neighbouring states). It transmits on the global telecoms system for weather data. An electronic log of events is continuously transmitted throughout the agency.

The centre asks for all emergency calls to be made in English. The first cry for help from Goiânia came before the centre was open, at night, in Portuguese. No one on duty understood the message.

Counting the cost of replacing the shuttle

Peter Marsh reports on the next generation of US space craft

The US space community may face a $200bn bill over the next two decades for replacements to the shuttle fleet — even if today's planned launch of Discovery goes without a hitch.

That is the conclusion of a report on future US launchers from the Office of Technology Assessment (OTA), a research arm of Congress.

However, the study's estimate of the size of investment needed raises almost as many questions as it answers. This is because of uncertainties about the level of spending that future political administrations will be prepared to devote to space activities.

All three vehicles in the space shuttle fleet have been refitted to put right defects shown up by the Challenger accident nearly three years ago. None the less, it is assumed that the technology involved will look extremely old-fashioned by the late 1990s.

Planning for new launcher systems, which would use improved propulsion and materials technologies and be more reliable and cheap to run than the shuttles, has already started at the National Aeronautics and Space Administration (Nasa) and the Defence Department.

Engineers believe that the most sensible option is to develop a family of launch vehicles, intended for both crews and unmanned use. The rockets would be able to lift into orbit a range of payloads, including commercial and military satellites and components for the manned space station which Nasa plans to build.

The new systems would also improve on the unmanned rockets such as the Delta, Titan and Atlas-Centaur, formerly operated by Nasa and the Pentagon and now managed by the private sector aerospace industry.

The rockets under study include:

Shuttle-C. This unpiloted cargo vehicle would use many of the current shuttle components, but replace the crewed section with an expendable carrier for payloads of up to 70 tons — about three times the present capacity. It would be relatively cheap to develop — about $1bn as opposed to $15bn for the existing fleet — but running costs would be high. It could, however, come into service by the mid-1990s, soon enough to play a part in the space station's construction.

Titan-5. An upgrade of the Titan-4 rocket, this would have more powerful engines and be used for lifting large military and scientific payloads.

Shuttle-II. This piloted vehicle would use new propulsion systems and incorporate lightweight composite materials. It would also have advanced computer systems to run diagnostic checks on engines and other equipment, improving reliability. Shuttle-II rockets could start operating after the year 2000.

Advanced Launch System. As a partially reusable, probably unmanned launcher, it would act as a "space truck". It would be capable of lifting payloads weighing up to 100 tons into orbits some 200 miles above the Earth. Some experts have speculated that such payloads could be used to assemble a large space rocket in orbit next century to take a manned mission to Mars.

The system could also play a part in deploying a ballistic missile shield along the lines of that envisaged in President Ronald Reagan's Strategic Defence Initiative. The likely cost is about $10bn.

National Aerospace Plane. Similar to Britain's Hotol concept, it would take off from a conventional runway and have special engines using oxygen from the air as fuel. Development has started and it could be flying by 2010, assuming the US Government decides it wants to spend the many billions of dollars required.

The OTA report makes the point that coming up with hard predictions of likely costs of new launchers is a perilous business, bearing in mind the uncertainties of the development programmes.

There are also doubts about the extent of the demand for putting payloads into orbit, a factor which can greatly influence the rate of launch and hence running costs.

Launch Options for the Future, US Office of Technology Assessment, $5, available from Government Printing Office, Washington DC 20402-9325.

Boost for morale, Page 28

A guide to warmer superconductors

US SCIENTISTS are claiming a breakthrough in the study of superconductivity, which they say will lead to the development of materials capable of conducting electricity without resistance at higher temperatures, writes Reuter from Los Angeles.

After a year of study, Professor William Goddard, of the California Institute of Technology, has unveiled a theory which he says will guide scientists in the development of superconductors that work at higher temperatures than the minus 153 deg C required at present.

But he suggests it may be impossible for superconductors to be made to operate at room temperature. That could prove a blow to the hopes of scientists who have, for example, envisaged that the new materials could one day propel trains.

The theory, presented at a scientific conference, explains why some materials are superconducting and suggests ways to convert others.

According to Goddard, materials could become superconductive at minus 48 deg C, warmer than dry ice (frozen carbon dioxide).

Superconductors chilled in liquid helium have already been used in scientific instruments. But Goddard says a material that could be chilled by dry ice could be applied in devices used to operate motors and computers and to measure very weak magnetic fields.

Such a material would be cheaper to use than those which require chilling in liquid helium and liquid nitrogen.

"I regard this figure (minus 48 deg C) not as some theoretical maximum that will never be achieved but, rather, as an attainable goal," says Goddard.

UK NEWS

ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1987							
1st qtr.	103.8	102.7	27.7	125.4	158.9	3,073	216.4
2nd qtr.	105.3	103.2	27.9	128.3	165.9	2,968	228.1
3rd qtr.	107.6	106.6	28.3	131.3	171.8	2,827	241.3
4th qtr.	108.3	109.6	28.6	133.4	210.8	2,668	262.1
December	108.4	109.8	29.5	133.8	244.8	2,614	258.6
1988							
1st qtr.	108.6	111.2	31.4	135.5	173.3	2,534	247.5
2nd qtr	109.5	112.7	31.7	138.3	181.2	2,414	254.8
January	108.4	111.8	31.1	134.9	178.9	2,565	249.5
February	107.5	110.4	31.3	135.5	168.5	2,538	247.5
March	108.8	111.4	31.4	135.8	175.1	2,494	245.5
April	108.1	112.8	31.2	136.4	180.4	2,453	253.7
May	109.5	112.9	31.6	138.2	180.5	2,414	255.5
June	109.9	113.1	31.7	138.8	182.3	2,372	258.2
July	110.3	115.9		140.1	181.4	2,312	269.4
August				140.8		2,287	241.0

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1987							
2nd qtr.	108.2	103.4	105.8	103.6	108.3	104.0	20.8
3rd qtr.	108.4	105.4	108.0	105.9	108.9	104.8	18.8
4th qtr.	109.2	107.8	108.8	107.7	111.5	103.0	17.8
December	109.6	109.4	107.7	108.6	105.0	102.0	14.2
1988							
1st qtr.	109.1	108.0	108.5	108.1	118.0	104.3	20.1
2nd qtr	110.8	110.5	108.6	110.3	118.8	102.2	23.0
January	109.4	106.1	110.5	109.0	128.0	108.6	18.2
February	108.5	108.0	107.0	107.0	118.0	105.8	20.5
March	109.5	110.0	108.1	110.8	110.0	102.8	21.6
April	108.6	109.5	108.7	108.0	123.0	102.8	21.2
May	112.1	108.4	108.7	109.8	118.0	104.0	23.8
June	110.7	113.5	108.4	112.0	118.0	101.0	25.2
July	113.4	115.9	107.0	115.9	128.6	104.8	22.3

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1987							
2nd qtr.	105.2	111.3	-2,380	-395	+1,016	97.6	34.38
3rd qtr.	109.2	119.5	-3,201	-1,103	+936	97.9	34.81
4th qtr.	111.9	120.8	-3,290	-1,801	+1,073	97.6	44.33
1988							
1st qtr.	108.5	117.2	-3,952	-2,942	+890	97.8	44.64
2nd qtr	111.1	127.4	-4,433	-3,914	+879	98.9	46.52
January	106.4	119.8	-1,393	-1,023	+356	97.0	43.09
February	103.6	118.0	-1,538	-1,195	+311	97.1	42.93
March	107.5	115.7	-1,024	-654	+213	96.8	44.64
April	113.3	124.0	-1,208	-702	+309	98.5	47.86
May	108.8	127.2	-1,684	-1,177	+221	99.1	48.53
June	111.8	131.8	-1,541	-1,035	+149	99.1	48.52
July	108.1	145.1	-2,081	-1,187	+88	98.7	49.33
August	108.1	138.1	-2,818	-2,183	+140	98.9	50.64

FINANCIAL- Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit £m	Base rate %
1987							
1st qtr.	4.4	23.3	19.5	+8,723	1,466	+377	10.00
2nd qtr.	4.5	22.2	19.0	+8,564	1,604	+1,059	9.00
3rd qtr.	4.5	20.0	20.1	+11,446	1,211	+874	10.00
4th qtr.	4.3	22.2	22.5	+11,382	3,007	+946	8.50
1988							
1st qtr.	5.5	19.8	20.4	+12,939	3,861	+1,036	8.50
2nd qtr	4.6	18.6	20.3	+15,767	4,172	+1,098	9.50
January	4.8	20.8	21.5	+5,586	890	+389	8.50
February	5.5	18.7	20.6	+2,684	1,102	+321	9.00
March	6.1	19.8	20.4	+4,779	1,869	+321	8.50
April	6.1	22.3	20.0	+6,412	1,378	+391	8.00
May	6.2	20.7	19.1	+3,141	1,358	+386	7.50
June	7.2	18.1	20.2	+5,448	1,287	+429	9.50
July	6.8	17.8	20.7	+8,271	1,362	+313	10.50
August					1,178		12.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.	Sterling
1987							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	124.8	87.8	112.7	106.2	104.6	1,817	77.6
January	120.6	90.1	110.6	103.3	102.9	1,702	74.9
February	122.4	90.0	111.0	103.7	103.6	1,705	74.3
March	124.1	86.7	111.4	104.1	103.8	1,734	76.6
April	124.4	88.3	112.2	105.8	104.4	1,736	78.2
May	124.2	87.7	112.6	106.2	104.7	1,778	78.4
June	125.9	88.5	112.9	106.6	104.8	1,836	78.3
July	128.2	88.4	113.5	106.7	104.8	1,878	75.8
August		90.2	113.9	107.8	104.4	1,863	75.6

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

Thatcher renews pledge to defeat Irish terrorism

By Our Belfast Correspondent

MRS Margaret Thatcher, the Prime Minister, yesterday renewed the Government's pledge to defeat terrorism. She was making a one-day visit to Northern Ireland, her first to the province since she attended the memorial service for victims of the IRA Remembrance Day bombing in Enniskillen last November.

Speaking at the Royal Ulster Constabulary's training depot on the outskirts of Belfast, Mrs Thatcher said police officers were the front-line defenders of democracy and she described terrorism as a "cancer in our midst."

She said every terrorist outrage increased the Government's resolve to defeat terrorism. "I feel very strongly that terrorism must never win. If it did that would be the end of democracy.

"When we get these terrible incidents and then I hear sometimes that people think the more incidents they have the more fearful we become, then I do not think you know the spirit of the Northern Ireland people."

Mrs Thatcher was introduced to police officers injured in the Lisburn Fun Run bombing in June in which six soldiers were killed.

She held security talks with Mr Tom King, Northern Ireland Secretary, and senior police and army commanders including Sir John Hermon, RUC Chief Constable, and was briefed on the upsurge in IRA violence.

While security topped the agenda, Mrs Thatcher also carried out a series of engagements at business premises.

Security was tight and police and soldiers carried out searches of the areas she was visiting before she arrived.

Mrs Thatcher visited Desmond and Sons, one of Ulster's largest clothing manufacturers, which announced a £13m expansion plan last year. She also toured the Coleraine premises of BKS Surveys, a mapping company which won a £8m order from Saudi Arabia earlier this year.

Noisy Loyalist demonstrators jeered Mrs Thatcher in the centre of Lisburn. She was verbally abused by about a 12 people opposed to the Anglo-Irish agreement which gives Dublin a say in the affairs of the north.

Scores of police who had sealed off the town centre by erecting barriers kept close to Mrs Thatcher as she made her way through the crowds. There were several hundred, many of whom surged forward to shake her hand.

The protestors carried "Ulster says No" banners and called for the banning of Sinn Fein members from Northern Ireland council chambers.

At one stage, eggs were thrown at a car which had earlier brought Mr King into the town.

Nineteen people from the Lisburn borough have been murdered since April last year and the Mayor, Alderman Billy Bleakes, himself once at the forefront of Loyalist opposition to the London-Dublin pact, had a brief few words with Mrs Thatcher.

But he, too, was abused by the demonstrators who tossed 5p coins at him and called on him to resign.

Textiles 'hit by economic uncertainty'

By Alice Rawsthorn

A STRONG pound and higher interest rates have combined to plunge Britain's £13.7bn textile industry into a period of uncertainty, according to a leading industry figure.

Mr Barry Spencer, president of the British Textile Confederation (BTC), said at the Fabrex textiles exhibition in London yesterday that the uncertain economic outlook might prevent the industry from maintaining its "recent pace of advance."

Sterling's strength against the European currencies was making it more difficult for UK textile and clothing companies to export into Europe.

The pound's strength against the dollar had also accelerated the flow of imports from the Far East, where many currencies are dollar-related.

Mr Spencer also warned that higher interest rates may add to uncertainty, discourage investment and depress consumer expenditure on textiles.

Although slower spending may affect demand for imports, he said that UK manufacturers would probably be more vulnerable.

The flow of imports into the UK rose by 12 per cent during the first half to £3.4bn, according to the BTC, while overseas sales increased by just 4 per cent to £1.7bn.

The balance of trading deficit in textiles rose by 20 per cent to £1.7bn, or to just under 30 per cent of the overall UK trading deficit in the first half.

Finding the right mix for Europe

Peter Marsh examines the chemical industry's plans for 1992

BRITAIN's growth-oriented chemicals industry is reviewing its overseas activities in the light of the opening of the European market in 1992.

The debate is focusing on the degree to which the intended removal of trade barriers will affect an industry which is already highly international in outlook and relatively well integrated within Europe.

There is also discussion about whether continental Europe or the US represents the most promising area for the industry's further expansion.

The chemicals sector stands out among Britain's manufacturers both for its good recovery from the recession of the early 1980s and for targeting overseas expansion as its main route towards improved sales.

In recent years the business has increased output by about 5 per cent annually, a higher than average rate for production industries.

Nearly half of the chemicals industry's £22bn annual sales are exported, up from about 35 per cent in the late 1970s, making the business one of Britain's biggest foreign exchange earners. The sector has a £2bn trade balance.

The sector has also spent hundreds of millions of pounds since the beginning of the decade on overseas acquisitions, with most of the cash directed at Europe and the US.

The US has to some degree been the more fashionable choice for expansion, due mainly to the common language and the immense £120bn-a-year US chemicals market. But Europe has received renewed attention in the past two years, partly as a result of the 1992 factor, with some executives mulling over expansion plans which feature stronger efforts in the region.

Many observers believe, however, that the UK industry is in general already well attuned to operating in the rest of Europe. "We are expanding in Europe because of the size of the market, not because of 1992," says Mr Ken Minton, chairman of Laporte Industries, a UK maker of speciality chemicals with annual sales of about £500m.

Laporte has increased overseas activities significantly in recent years, spending £150m largely on buying more than 50 companies around the world.

Some chemicals executives believe that 1992 will have only a small direct effect in making trading easier in Europe. Take BTP, a medium-sized chemicals manufacturer based in Manchester, north west England, which is looking towards other European nations for sales of a freeze-dried chemical it has developed for improving beer production.

Mr Steve Hannam, BTP's director in charge of speciality chemicals, says: "Until someone comes up with a Euro-beer, which I don't think is likely, we are still going to have to attack every European market individually."

Other companies make the distinction between setting up distribution and warehousing facilities in the rest of Europe, and manufacturing there.

Allied Colloids, a Yorkshire-based maker of speciality polymers, exports about a quarter of its £150m annual sales to the rest of Europe, but says that it sees little need to establish factories on the continent. Its only plant outside Britain is in the US, which it is busy expanding.

Mr Peter Flescher, Allied Colloids' managing director, says that, if anything 1992, ought to reduce still further the need for factories in Europe by cutting the red tape involved with trans-border shipments. This is particularly so for the high-value materials sold by Allied Colloids which are produced in low volumes and are relatively easy to export.

Mr Bob McGee, chief executive of British Vita, which makes packaging materials and foams, does not agree. The company has spent £60m in recent years buying about 20 companies in the rest of Europe, establishing a manufacturing base in most of the big European countries.

Half of British Vita's annual sales of £600m are accounted for by goods made in European factories outside the UK. "It's absolute nonsense to say you don't need to manufacture in the countries where you sell," says Mr McGee. "To have a long-term future in any country you have to have a local influence (in the form of factories)."

While British Vita has largely ignored the US in its expansion strategy, it has been the other way around with the chemicals division of RTZ, the mining and industrial group.

RTZ Chemicals, with annual sales of about £450m, has spent some £200m in recent years on 14 acquisitions, half in the US and nearly all the rest in Britain. Sales to mainland Europe account for no more than about 15 per cent of the company's turnover, while the US is responsible for half.

Mr David Swallow, managing director of RTZ Chemicals, says that the group is determined to expand in Europe in the future. Efforts in this direction, he says, have been hampered by the difficulties the company has encountered in buying Euroepan companies.

Yorkshire Chemicals, which makes dyestuffs and speciality chemicals, has also in recent years focused more on the US than Europe. The company has just bought a Massachusetts-based distribution company and hopes to build US sales of special additives used to toughen plastics in industries such as aerospace and cars.

"Continental Europe accounts for nearly half our annual turnover of about £50m, says Mr Terry Smith, finance director. "But the market is not going to change very much. As far as we concerned 1992 will not have a big impact."

For some executives in the chemicals industry, meanwhile, all the talk about the US and Europe is out of date. For these people, the main points of expansion for the sector are in the Far East.

Mr Denys Henderson, chairman of Imperial Chemical Industries, Britain's biggest chemicals group, reckons his company has laid the groundwork already in the US and continental Europe – which account for more than half ICI's £11bn annual sales – and is focusing increasingly on Japan and south-east Asia.

Imperial Chemical Industries is to spend £21m on the headquarters of its international colours and fine chemicals business at Blackley in north-west England. The money will be split between new computer facilities employing 75 people and on upgrading one its centre for research in organic chemistry.

The computer centre will cost £11m and occupy 40,000 sqft. It will be the third of its type developed by ICI as part of a west European network and will be completed in 18 months. The £10m investment in the research centre will be phased over the next four years.

Rivals see red over 'Greening' of Thatcher

John Hunt examines the re-emergence of environmental issues in British politics

MRS Margaret Thatcher's public espousal of the need to protect the environment and preserve the earth's ecology on Tuesday night provoked reactions ranging from suspicion to downright indignation yesterday.

With the annual political conference season under way it seemed that all the parties at Westminster were desperately anxious to jump on to the Green bandwagon for fear of being left behind.

In her speech at the Royal Society's annual dinner, Mrs Thatcher declared war on pollution. "Stable prosperity can be achieved throughout the world provided the environment is nurtured and safeguarded," she said.

Mrs Thatcher described the protection of the environment and the balance of nature as "one of the great challenges of the late 20th century" and said that mankind may have "unwittingly begun a massive experiment with the system of this planet itself." Protection of the environment and the balance of nature was "one of the great challenges of the late 20th century," she said.

There is a certain irony to the sudden re-emergence of environmental issues at the top of the political agenda. In the run-up to last year's general election all of the parties were lavish in their promises in this area. Their fear that there might be a "Green backlash" by voters was prompted by the dramatic rise of the Green Party in West Germany and other continental countries.

In the event it never happened. Britain's own Green Party put up 122 candidates but won no seats and received only 90,000 votes – 1.3 per cent of the total. After the election the environmental programmes of the Conservatives, and to some extent the opposition Labour Party, took a back seat.

But the problems had not gone away.

Since then there has been the Karin B incident in which the vessel of that name wandered the seas like the Flying Dutchman trying to land a cargo of hazardous waste.

There was the the case of the virus which has killed thousands of seals in the North Sea, a case which has highlighted the problems of North Sea pollution.

Within the Tory party there has been a strong campaign against Mr Nicholas Ridley, Environment Secretary, over the development of tightly restricted parts of south-east England designated as "Green Belt".

The word is that Mrs Thatcher was taken completely by surprise by the strength of feeling within her own party over the extent of development in England's green and pleasant land.

Hence Mrs Thatcher's donning of the Green mantle on Tuesday night. The Prime Minister singled out for special attention the greenhouse effect, whereby the increase in waste gases threaten a disastrous overheating of the earth's atmosphere. She also concentrated on the need for international action to deal with the depletion of the ozone layer and acid rain.

All of these would have wider implications for British government policy concerning energy production, fuel efficiency and reforestation.

She emphasised that Britain was playing its part in solving these problems – a view hotly disputed by most environmental organisations.

Critics also maintain that Britain has dragged its feet on agreeing to EC directives on vehicle exhaust fumes and power station emissions which contribute to acid rain and has reached agreements only under pressure.

The other political parties, meanwhile, are desperately anxious to show that they care about these matters.

Mr Jack Cunningham, Labour's spokesman on the environment, was savage yesterday in counterattacking Mrs Thatcher's speech.

"The British Government is in the dock over its appalling record of ignoring the environment both nationally and internationally," he said. Britain still had the dirtiest beaches in Europe and some of the most polluted coastal waters while 11m Britons were forced to drink water of a quality below that required by EC standards.

Friends of the Earth, the environmental organisation, was extremely cautious. "The Tory party record on environmental protection has been abysmal so far," the organisation said.

The Green Party was indignant at Mrs Thatcher's speech. "The truth is that the empress has no clothes," said Ms Penny Kemp, the party's spokeswoman.

Stiffer advertising code steers alcohol adverts from young

By Lisa Wood

CODES WHICH seek explicitly to direct the advertising message of alcohol away from young people were published by the Independent Broadcasting Authority yesterday.

The new codes which regulate advertising of alcohol on television and radio are the result of a review by the IBA in consultation with the Government's committee on Alcohol Misuse, chaired by Mr John Wakeham.

The Advertising Standards Authority, which governs advertising in print mediums published its revised codes on Monday.

The IBA said yesterday: "The changes in the code are not revolutionary – if they were it would imply that the old code was shot through with holes.

"The main objective of this latest revision has been to clarify the existing code. While the IBA is satisfied that there have been no major gaps in the existing rules the opportunity has been taken to remove some ambiguities and to add some supplementary guidance on what is and is not permissable."

The new Code, for example states that alcohol advertising may not be directed at people *under 18* and that people associated with drinking in the advertisement should be and be seen to be *at least 25 years old*.

The previous code had said advertising should not be directed particularly to *the young* and that people used in the advertisements should *seem to be younger than about 25*.

The new code also asks advertisers not to circumvent its rules by the use of humour. This is considered unlikely to affect characters such as the Hofmeister bear used by Courage, the brewer.

Drinks containing less than 1.2 per cent alcohol, provided they comply with the generality of the code and do not promote irresponsible drinking or behaviour will not normally be subject to the above rules.

This means that characters such as Don Swan, who drinks a low alcohol lager and swims from Australia to New Zealand are permissible. The IBA here, for example, believes Don Swan is promoting a healthy image by drinking a low alcohol lager.

The Government is currently seeking to promote the consumption of low alcohol drinks.

Mr Wakeham, whose committee met yesterday to discuss the latest Government initiatives on curbing alcohol misuse, said he was pleased that the advertising authorities had the interests of the young so much in mind.

He said a call for a total ban on alcohol advertising had been recommended by the Masham Committee last year but his committee had rejected this.

UK, Europe tourist facilities criticised

By David Churchill, Leisure Industries Correspondent

EUROPEAN and British tourism industries must improve the quality of their facilities in the 1990s if they are to attract more high-spending American and Japanese visitors, an American Express report warned yesterday.

The report points out that although Europe still has about 60 per cent of the $150bn (£89bn) worldwide tourist industry, its market share has fallen steadily by some 5 per cent over the last decade.

Britain is particularly vulnerable to any decline in the number of wealthy US and Far Eastern tourists since almost two-thirds of its tourism earnings come from long-haul visitors. Most other European countries earn less than a third of such revenue from these travellers.

American Express, which handles just over a tenth of Europe's tourist transactions through its charge card and travellers cheque payment systems, says that free-spending American and Japanese tourists already account for 20 per cent of Europe's international tourism earnings. But the report says Europe must adapt to a changing market.

It says: "This requires less emphasis on sun and sand and more on products for long-haul travellers."

American Express points out that US tourists spend nearly three times as much as the average foreign visitor and visit an average of two European countries per trip.

Amcor plans box plant in Britain

By Maggie Urry

AMCOR, a leading Australian pulp, paper and packaging group, is to make its first direct investment in the UK by building a corrugated box plant in Cambridgeshire, in eastern England.

The group has extensive interests in Australia, New Zealand and south-east Asia, with 20 corrugated box plants and a number of other packaging operations.

The corrugated box market has been growing strongly recently, fuelled by the consumer boom, and manufacturers have been able to increase prices as well.

As a result, companies in the sector have reported strong profits growth. For example UK Corrugated, a joint company owned by Jefferson Smurfit, the Irish-based company, MacMillan Bloedell of the US and Svenska Cellulosa of Sweden.

TV sports channel deal

By Raymond Snoddy

BRITISH SATELLITE Broadcasting yesterday awarded a 10-hours a day sports television contract to Trans World International (TWI) the production company founded by Mr Mark McCormack.

The contract is believed to be worth £25m over three years.

At the same time BSB, the UK's direct broadcasting by satellite venture confirmed that a five-hours a day contract for womens and consumer interest programmes would go to a consortium involving the Daily Mail and Yorkshire TV.

Mr Anthony Simonds-Gooding, BSB chief executive, said the two groups would provide programmes of originality.

The announcements follow last week's decision to give the BSB news contract to Crown Television in a deal worth around £60m over five years. BSB plans to launch three new channels of television

ARTS

Alastair Muir

Rowan Atkinson in "The Bear"

The Sneeze

ALDWYCH THEATRE

In the prologue, Rowan Atkinson relates how Chekhov hated plays, except, ominous pause, when short. Clipped snarl, collaborative laughter. What follows in this evening of slight, but not trite, Chekhoviana, devised by Michael Frayn and directed with sly reverence by Ronald Eyre, is a roster of revue sketches with minimally cultural pretensions. It is a likeable mess, devoid of coherence, but mercifully and intermittently funny.

Frayn has taken four of the early vaudevilles and mixed them with new adaptations of four stories. In Act 1, three prose-derived sketches: an importunate lady dramatist beads the ear of a writer, a landowner and a French tutor engage in xenophobic badinage, a minor Government official sneezes over the bald head (in Chekhov, the neck) of a bigwig in a theatre. Atkinson's sneezing ballet to the death is hilarious because of its concern for manners and cringing propriety. He is most anxious to convey that he did not spit; he sneezed. Snot his fault.

These prose distillations all date from the same period as Chekhov's vaudevilles, or jokes, as he called them. We forget too readily that the playwright was in the first place a storywriter in the same league as Lermontov and Turgenev. This comes through in the final adaptation, Atkinson's Georgie cart driver spilling the beans about his Inspector General over an unsuspecting traveller.

The show does not touch the rich poignancy of the later, longer stories, where changes of location and passages of time are so important. But you get a marvellous sense of transition from page to stage as Atkinson excoriates the evils of tobacco while unlocking his private misery.

The short plays themselves (*The Evils of Tobacco* was both story and sketch) look stilted in comparison, already confined by imitative technique. You begin to see how Tolstoy had a point about Chekhov the dramatist. *The Bear* suffers especially in this respect, Timothy West stomping suddenly like a stage villain in a bad wig as the creditor turned suitor determined to have his oats and eat them. Cheryl Campbell, a wonderfully surprising actress poised, on this occasion, between outrage and incontinence, fights back theatrically.

The Bear is often paired with *The Proposal*, the play that closes the evening. Atkinson's twerpish neighbour with a heart condition sealing a marital pact amid rows about the merits of various dogs as Miss Campbell gives full, alarming vent to hysterical energy.

It would be neat to conclude that these two pieces are seen afresh in the light of the rest of the material. In fact, they dwindle. I much preferred the skimpy sketches. The only play that really works is the lovely *Swan Song* in which Timothy West's old actor is caught backstage after a benefit matinee by a resident theatre rat, a prompter (beautifully outlined by Michael Godley emerging from the dust covers), and trapped by his impromptu but well-prepared Fool in a re-run of King Lear and other might-have-beens.

Chekhov is said to have written *Swan Song* in just 65 minutes. It is this slapdash, prentice euphoria that characterises the evening, however much Mark Thompson's classy ambient design and Jeremy Sams's pastiche piano music (well played by Michael Haslam) seek to impose unity. There is not, nor should there be, any discernible consistency for as long as Rowan Atkinson is flaring his nostrils and crossing his eyes while turning his profile through 180 degrees. Timothy West has no answer to such tricks, but digs in anyway, while Miss Campbell seems delightedly alerted to all sorts of possibilities.

Michael Coveney

Left cold by cool perfection

Few artists have been so in and out of fashion as Guido Reni. Susan Moore visits two current exhibitions in Bologna

Yukio Mishima's erotic and masochistic obsession with Guido Reni's St Sebastian is a curious 20th century addendum to the changing critical fortunes of the Counter Reformation artist *par excellence*. The cult Japanese novelist had himself photographed bared to the waist, hands tied above his head, pierced with arrows.

During his own lifetime (1575-1642), and for the following 200 years Guido was revered for his elegant painting and affecting sentiment. According to the Bolognese biographer Malvasia, one contemporary lamented "we paint like mere mortals, he paints like an angel." His influence on 18th century painting was profound; some believed him second only to Raphael. No Grand Tour was complete without a visit to his gracefully dramatic St Michael in Santa Maria della Concezione in Rome.

By the end of the 19th century and the beginning of our own admiration had turned to derision. As Berenson put it, "our grandfathers were thrilled by Guido Reni's ecstatic visages whose silly emptinesses now rouse our laughter." Few artists have ever been more over- or under-valued.

Interest in Guido Reni, and in the Bolognese seicento in general, revived with a new generation of scholars in the 1930s and continues to flourish. Visitors to this year's major exhibition at the Pinacoteca Nazionale in Bologna until November 10, then on to the USA, are likely to be as surprised as thrilled by the range of the subjectmatter and technique of this near-perfect painter. However unsympathetic his religious tours-de-force may be, they are never mawkish and often moving.

Guido's earliest efforts, which form part of a separate exhibition in Bologna's archaeological museum, reveal his debt to his master Denys Calvaert's clarity and refinement and to the naturalism of Annibale Carracci. (That show is stolen by the latter's glorious, newly cleaned "Baptism of Christ" from SS Gregorio.)

The picture gallery takes up the story with Guido's brief flirtation with Caravaggism in Rome in 1604-6, with such works as the Louvre's plumed and pallid "David with the head of Goliath." It is a pity that it could not be compared with the second version, on loan to the National Gallery, which was painted to rid Caravaggio's influence. Though dramatically lit, his "St Catherine" is closer to Raphael's "St Cecilia" in Bologna. Her body only recently discovered, it is also witness to the onset of Christian archaeology and the revived cult of saints.

Alongside is the compelling "David and Goliath." Unexpectedly, its bold, clear forms, bright colours, warm flesh tones and smooth surface recurr throughout Guido's oeuvre, running parallel to darker, grey-ground works. The "Massacre of the Innocents," dominating the main gallery, is such a work of crisp edges and large areas of pure colour. It is the most Classical and yet dramatic of Guido's compositions.

The figures, ranged along a severe inverted Z, register a gamut of human reactions to the brutal butchering. Perversely, given the subjectmatter, it is a work of extraordinary beauty (it is also one of the important works not travelling to the US). But it does sow the seed of a suspicion, confirmed as the show progresses, that Guido is altogether too cool and ultimately emotionally detached. We may admire him but rarely love him.

Moreover, despite his impeccable technique and rich hues, there seems no joy in either his use of paint or colour. His Corsini Salome could not be less wanton; she is almost neo-Classical in her cool colour and remote gaze. Portraits are no more intimate, even the subtle salmon-pink study of his distinctly precious patron, Cardinal Bernardino Spada.

Surfaces are not invariably of enamelled smoothness. His endearing St Luke, and small devotional works on copper, are worked up with freer, visible brushstrokes. The subtle tones of the impressive decorative series of Hercules are different again, as is the Hockney swimming-pool blues of his "Bacchus and Ariadne" from Los Angeles.

But the greatest revelation is the late works. Their emphasis on tonality, and muted colour, are anticipated in such exquisite works as Sir Denis Mahon's "Sybil" and the Toledo, Ohio "Venus and Cupid," but during the 1630s his figures lose their emphatic rounded forms and become ethereal, bloodless. His palette is limited and detail is pared down to the extent that the freely painted canvases look unfinished.

The exhibition has provided splendid opportunities, but missed others. It is marvellous to be able to see the newly cleaned "Triumph of Job," normally tucked away in the tribune of Notre Dame, but there seems little point in borrowing both versions of "Atalanta and Hippomenes" if they are not hung side by side. The show is also rich in recent discoveries and in Guido's generally critically disliked late works — perhaps at the expense of more important works.

The exhibition opens at the Los Angeles County Museum of Art, December 11-February 14, and at the Kimbell Art Museum, Fort Worth, March 10-May 10, 1989.

Guido Reni's St Michael, c. 1635

Rossini Opera Festival in Pesaro

In its first years the Rossini Opera Festival at Pesaro owed part of its deserved and enormous success to the sense of discovery it shared with its visitors. One after another, Rossini rarities were unearthed, held up to the scrutiny of the audience, and welcomed as masterpieces, or something very close: *Il viaggio a Reims, La donna del lago, Bianca e Falliero*. Naturally, these unfamiliar works alternated with Rossini operas from the more usual repertory: all produced with scholarly care and theatrical skill.

But now the situation is changing: on the one hand, the Festival itself has contributed to the wider interest in the less-known Rossini, so the operas are becoming, if not common theatrical currency, at least less exotic. And, at the same time, though Rossini's production was large, it was not endless; so by now only a very few of the operas remain unrevived (one of these, *Ciro in Babilonia*, is already announced for Savona in October).

This year's festival opened with *Otello*, hardly a household word, but still — as the excellent, informative Pesaro programme informs — given in fifteen different places (including Pesaro, in 1965) in the last thirty years, and long available on disc. In other words, the Rossini Opera Festival, as it runs out of rarities, must compete with the great international opera houses on their terms, and, as this new *Otello* made evident, it is willing and able to do just that.

In the past, one of the problems in Pesaro was the orchestra, for the most part, even when the conductors were stellar, the players were more commendable for their good will than for their experience. This year, in engaging the orchestra of the *RAI*, Turin, the festival solved that problem splendidly. The score of *Otello*, with its frequent solos, especially for the winds, and its tricky rhythms, its sudden shifts of mood, present constant problems; the Turin players overcame them with what sounded like ease, and with stylish skill.

As it runs out of rarities the Festival must compete with the great international opera houses. With its new production of 'Otello' it has made evident it is willing and able to do just that

The taste of Sir John Pritchard is admirable, and he affectionately illustrated the work's many instrumental felicities, its subtleties of mood and character. It was pleasant, too, to hear an unhurried Rossini, far from the hustling conducting of some of Sir John's colleagues; but on the other hand, there was a lack of impulsion, a tendency — perhaps imposed and certainly welcomed by the singers — to stop at the end of a section, as if inserting an aural comma, before resuming; thus there was a frequent loss of urgency. True, this is not the swirling, haunted drama of Verdi, but, of all Rossini's serious works, it is perhaps the most intense, claustral.

Pesaro assembled a starry cast, all familiar to the loyal, international audience. In the title role, Chris Merritt grew as the opera progressed. At first, with the conductor's complicity, he crooned, as if singing for his own satisfaction rather than the public's; but his involvement increased, and by the last act, he was in character. Like all the singers, however, he had a murderous way with recitative; words that were meant to be introspective asides often came blasting out, as if the Moorish commander were drilling his troops.

June Anderson, the Desdemona, had the same approach, and in her exchanges with Emilia, it seemed as if her confidante were hard of hearing. In the arias, however, she shed greater sensitivity (especially in the last act, which is more Desdemona's than Otello's) and was, finally, affecting. Rockwell Blake, as Rodrigo, was a nag, hectoring and whining; admittedly, Rodrigo is not a pleasant character, but still he should have a certain surface charm, at least. The Jago, Ezio Di Cesare, was unsubtle, both in acting and singing. The tall, dignified bass, Giorgio Surjan, made as much as can be made of Elmiro, Desdemona's unperceptive father; alone in the cast, he had an idea of how to deliver recitative naturally and effectively.

The production pleased, and there were ovations. And, even musically, it was on a high, if uneven, level. What made it immediately enjoyable throughout was the splendid visual frame devised by Pier Luigi Pizzi, a Venice of chill white marble, punctuated by a porphyry whorl or some other simple decorative element. Against this noble simplicity, the costumes — of muted, but impressive colours — created a series of handsome stage pictures.

The very success of the Rossini Festival has created a problem of demand: the Teatro Rossini — ideal for the operas — is small, and at every performance vast numbers of music-lovers have to be turned away. This year, the local Sports Palace has been adapted into a new performing space. With its eighteen-hundred seats, and its more accessible prices, it is meant to satisfy those unlucky at the Teatro Rossini box-office and to allow the disgruntled Pesaresi to enjoy their city's festival.

The revival of *Il signor Bruschino*, running concurrently with the *Otello*, suggested, however, that further thinking might be advisable. The sports-palace atmosphere remains predominant. This *Bruschino*, doggedly conducted by Donato Renzetti, sung without great flair (only Enzo Dara had some style, and Mariella Devia had some brilliance), in a trite staging by Roberto De Simone, was not helped by the surroundings, though it was probably beyond salvation anyway.

William Weaver

London Symphony Orchestra

BARBICAN HALL

The London Symphony Orchestra's concert of English music in the Barbican on Tuesday, presented in conjunction with the British Fragrance Association, was a standard selection of popular works – Vaughan Williams's *Tallis Fantasia*, Elgar's Cello Concerto and Walton's *Belshazzar's Feast*. It was the sort of programme many British orchestral players could negotiate successfully in their sleep and sometimes do, but here, intelligently conducted by Rafael Frühbeck de Burgos, it emerged bright, alive and anything but routine.

The *Tallis Fantasia* quickly revealed the strings to be in far better shape than their form towards the end of last season might have suggested. There is still a lack of lustre and tonal solidity at times – in such a dry acoustic as the Barbican's Vaughan Williams's climaxes need weightier resonance – but the unanimity and coherence are right in place. The fitness of the rest of the orchestra was thoroughly tested in *Belshazzar* too, and generally proved well up to scratch; the influx of new young principals appears to have sharpened up much of the ensemble work. The congestion at the biggest climaxes was the hall's responsibility rather than the performers'; such a work is at the limits of its capacity, and with brass choirs in the balcony and the platform packed with orchestra and chorus (the LSO's own), there was little space in which the music could be allowed to breathe.

De Burgos nevertheless managed to pack it with punch and drama; Benjmain Luxon's baritone contributions were well judged declamations, and the total effect was noisy and joyous. In the concerto Felix Schmidt had been a technically assured, emotionally contained soloist, whose austere detachment was at times forbidding though unfailingly impressive for its purity of line.

Andrew Clements

SALEROOM

Christie's season starts

In recent years there has ben a spate of mergers among London's art dealers. One was the acquisition by the long established Henry Sotheran, book dealers, of the stock of Ben Weinreb, dealer in architectural drawings. Yesterday Christie's started to sell off some of the Weinreb collection that Sotheran reckons is surplus to its requirements. The first day brought in £218,306, with just 3 per cent unsold.

The London dealer Quaritch paid £23,100 for a first edition of *L'Architecture Considerée* by Ledoux, who is considered to be one of the most original architects of the 18th century. It has 123 plates. Sir William Hamilton, best known for his wife's liaison with Nelson, was our man in Naples in the late 18th century. He was fascinated by volcanoes and ascended Vesuvius twenty three times. He commissioned Pietro Fabris to record the eruption of the volcano and his observations of the phenomenon in three volumes, with 59 etchings by Fabris, made £15,400.

Christie's, which was kicking off its main London season, also sold decorative arts from 1880, making £147,164 but with 23 per cent unsold. The Fine Art Society paid £20,900 for eighteen designs for Grays Park, Stoke Poges by Voysey, dated 1906, which had carried a top estimate of only £1,800. A rare James Dixon & Sons electroplated toastrack designed by Christopher Dresser sold for £14,300, over three times its estimate, and a pair of laminated birchwood open armchairs designed by Gerald Summers also did well, realising the same sum.

Sotheby's held a significant sale of Victorian pictures: it contained no great works but was a good measure of general trade interest which was revealed as being strong, and produced a total of £951,006 and less than 10 per cent unsold. A pretty if vacuous picture of young girls and a dog entitled "Meeting in a park" by Arthur Elsley sold for a remarkable £68,200 as against a £30,000 top estimate. Painted in 1907 it was a record for the artist and typified the breezy decorative works that were in demand. A set of four steeple chase oils by Thomas Blinks also beat their estimate at £41,800 and another record was the £19,000 paid for "The Butterfly" by Robert Fowler, dated, 1906, which shows a lightly draped beauty admiring a butterfly.

There were only three survivors from HMS Hood which was sunk by the Bismarck in the Second World War. A set of ten medals of one of them, Lieutenant Ted Briggs, sold at Glendinings yesterday for £5,500. At Phillips a Japanese buyer paid £16,500 for a Bru jeune bisque head doll.

Antony Thorncroft

Canadian art comes to London

Ronnie Scott's Club in London will be the venue for a Canadian Jazz Evening on Sunday October 2.

It will be part of a series of Canadian cultural events in London during September and October.

Exhibitions include The Business of Frightened Desires by Toronto artist maker Vera Frankel (Air Gallery, EC1, until October 15) and Yellow Peril: New World Asians by 16 Canadian artists (Chisenhale Gallery, E2, until October 16).

Musical events include three Wigmore Hall recitals by the Canadian Festival of Sound.

ARTS GUIDE

September 23-29

EXHIBITIONS

Paris

Carte Musées et Monuments, sold in museums and Metro stations, enables visitors to avoid queues at 60 museums and monuments, *including the Louvre*, Musée d'Orsay and Versailles Palace.

Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards. The postwar creative *dynamism of the* Fifties is represented by cars, comics, music, cinema, literature, industrial creation and – on the fifth floor – by visual arts. The great figures of Matisse and Picasso open the exhibition with works in black and white; monochromes by Yves Klein and Montana close it. There are statues by Giacometti, mobiles by Calder, and lyrical abstraction by Hartung and De Kooning. While contrasting the School of Paris with the School of New York, the exhibition draws attention to some of their parallel developments. (42.77.12.33). *Closed Tue. Ends Oct 17.*

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionists and post-Impressionists collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity. The sculptures *come into* their own in the immensity of the nave, at the end of which is a large-scale model of the Opéra and its district below glass tiles. The view of Paris from the terraces is an additional delight. 1 Rue Bellechasse (45.49.48.14). Closed Monday.

Musée d'Orsay. Cézanne, The Early Years (1859-1872). The 63 paintings and 20 drawings and watercolours, already seen in London and on their way to Washington, reveal a hitherto neglected period of the artist's life. The young Cézanne, fascinated by Courbet, influenced by Delacroix, Daumier and Manet, a friend of Zola and an admirer of Wagner, expresses his genius in compositions full of violence and eroticism – with the painter always the *voyeur*. The execution is daring, with sombre colours wrought into the canvas by a broad palette knife. There are portraits and self-portraits; still lives and landscapes, all pioneering modern art. (45.49.48.14). Closed Mondays. Ends January 1.

Artcurial. Zao Wou-Ki's retrospective traces the development of an artist formed both by the ancient traditions of Chinese art and by the works of the Impressionists and of Cézanne, Matisse and Picasso. From paintings inspired by landscapes, he moves on to poetical abstracts which, from 1959 onwards, do not have titles, only dates. 9 Ave Matignon (42.99.16.16). Ends Nov 10.

Musée de Cluny. Medieval art in Paris. The abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman baths. Now a museum, it houses medieval works of art – goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the *Unicorn mille fleurs* tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Place Paul-Painlève, Métro Odéon. Closed Tuesdays and lunchtimes (43.25.62.00).

Galerie d'Art Saint-Honore. Still *lives in Dutch and Flemish art* in the 17th century. Only the ingrained tradition of painstaking craftsmanship of the time can explain the perfection and the shining mint condition of the paintings assembled by Monica Kruch. There is Jan Brueghel the younger offering his bouquet of flowers in a celadon bowl, while Andries Danielz places his in a sculpted vase and Abraham Mignon in a transparent round one, the globe of which reflectsthe studio's multipanelled window. 267, Rue Saint-Honore. Closed Sat, Sun and lunchtimes. Ends Nov 18 (42601503)

Berlin

Time Comparison 1988. Thirteen painters, spanning three generations, present the East German art scene in the 1980's. This exhibition concentrates on figurative painting and portraits. Among the artists are Hampel, Heisig, Ebersbach, Tubke and Libuda. Neues Kunstquartier, Gustav-Meyer-Allee 25. Ends Nov 20.

Bremen

Georg Baselitz. The Motif. Forty pictures by the German expressionist, born in 1939, from his most recent period. Kunsthalle Am Wall 207. Ends Oct 30.

Stuttgart

To celebrate the 85th anniversary of the German Art Association, around 950 works by 280 artists are being displayed in four different museums. The presentations are divided up into various subjects: informal constructions; places and sounds; old subjects – new pictures; and landscapes. There are also works by German and French artists from 1903-1906. The Association is helping young artists by donating DM40,000 (over $20,000) in prize money. Württembergischer Kunstverein; Kunstgebaude am Schloßplatz; Staatsgalerie, Konrad-Adenauer-Str 30-32. Ends Oct 12.

Vienna

Museum of Modern Art/Museum of the 20th century. Works by Oswald Oberhuber, one of Austria's finest artists. Ends October 26.

The Austrian National Library. The Arab world in Europe. A marvellous collection of letters *and other literary items*. Ends October 16.

Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

Secession. Klimt's "Beethoven Frieze" is now back in its rightful and original home in the beautifully restored Secession. Also on exhibition are works by two young Austrian artists, *Gustav Damisch, the painter* and Willi Kopf, the sculptor. Ends November 9.

Albertina. Exhibition of drawings by Alfred Hrdlicka, considered to be one of Austria's most controversial artists who *managed to divide* public opinion on plans by the City of Vienna to (finally) build a memorial to those who fought in the resistance during the Second World War. Besides being wonderfully outspoken in a country which habitually prefers public consensus and runs shy of its more immediate past, Hrdlicka is best appreciated for his sculpture. He is at present finishing his work on the memorial, which will be sited just across from the Albertina. Ends November 30.

Venice

Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attemps to give a *complete* picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was *finally* destroyed by the Romans in 146 BC. The exhibition has been given a highly theatrical presentation by the architect Gae Aulenti. Sarcophaghi project at odd angles from a pile of pink sand on the *ground floor of the* Palazzo; in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenician wreck. Until Nov 6.

Rome

Palazzo Venezia. Imago Mariae. Over 100 works, including masterpieces by *Gentile da Fabriano*, Pinturicchio, Correggio, Giaquinto and Tiepolo, showing the progressive humanisation of the Virgin Mary from the austere figure of the Middle Ages to the gentle and accessible charm of the Renaissance and Baroque portrayals. Ends Oct 4.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.

Museum of Modern Art. Almost 100 black-and-white prints illustrate Matisse's influence during a 50-year printmaking career that included lithography, drypoint, etching and linoleum cut. Ends Nov 6.

Tokyo

Tokyo National Museum. Japanese Archaeology: History and Achievements. Over 300 exhibits tracing the history of archaeology in Japan, from the time *when an American scholar* spotted a shell mound near a Tokyo railway station in 1907 to some spectacular finds of recent years, which have overthrown many of the cherished theories about Japanese civilisation. These include part of a hundred-faced bronze mirror, which an ancient Chinese chronicle says was sent to one of the earliest known rulers of Japan. Begins October 4. Closed Mondays.

Ueda Gallery, Ginza. New works by Shoichi Ida. Ida is regarded as one of Japan's leading contemporary artists and has exhibited widely at home and abroad. He is best known for his work in paper. This exhibition gathers recent works, many from a series entitled the Garden Project and Lotus Sutra, where stones, twigs and other natural materials evoke images of Japanese gardens. Closed Sundays. Ends October 15.

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Tilting at EC windmills

OF ALL the challenges facing further European integration, one is paramount. It is to determine where the long-term interests of different countries dictate closer co-operation and unification, and where it is advantageous to preserve, and even promote, the national, regional and cultural diversity which is one of Europe's greatest strengths.

In highlighting this dichotomy in Bruges last week, Mrs Thatcher underlined the difficult choices it will pose all European governments in the next few years. However, having clarified the debate, she proceeded to muddy it again with factitious and irrelevant arguments.

She most obviously went adrift by insisting that a European Community based on voluntary co-operation between "independent, sovereign nations" was the only way to curb an otherwise inevitable slide into domination by a *dirigiste* central bureaucracy in Brussels. This is a false antithesis, which misrepresents both the way the EC works and Britain's own position.

By definition, integration involves more pooled decision-making, implying some compromise on national sovereignty. This the UK long ago accepted in important policy domains, notably agriculture and trade, which are controlled much more from Brussels than from London.

Common mould

In 1985 Mrs Thatcher consciously assented to still further EC centralisation when she signed the Single European Act, which introduced far more qualified majority voting in the Council of Ministers. Britain approved the change because it wanted to make it harder for other countries to block progress towards a single market. But the UK thereby also conceded that it would be overruled when in a minority.

If such surrender of national prerogatives opens the way for Brussels to force all EC countries into a common mould, then Mrs Thatcher sold the pass long ago. However, that is manifestly not the intention of the European Commission's single market proposals: their emphasis on maximum liberalisation and minimum harmonisation is far closer to Mrs Thatcher's own philosophy than *she has been willing to admit.*

Moreover, the UK has itself espoused imposed harmonisation where it has suited its own interests, notably by insisting that EC securities markets only be fully liberalised once London's regulatory standards are matched elsewhere.

More crucially, Mrs Thatcher overlooked the existence of tight legal constraints on the Commission's powers. Individual governments retain the absolute right to veto EC proposals affecting sensitive areas of national sovereignty, such as tax policy, while the Rome Treaty gives the Commission autonomous authority only in the, admittedly important, field of competition policy.

Shared determination

Though the Commission's past record in fulfilling this mandate is not beyond reproach, the case for its statutory autonomy is strong. The growth of cross-frontier takeovers and of anti-competitive government subsidies argue for EC-wide policies to keep markets open which are independent of strictly national concerns.

The Commission is not above trying furtively to enlarge its influence. But Mrs Thatcher's determination to stamp on such creeping bureaucratic intervention is shared by every larger EC country and above all by France, a vocal advocate of further European integration in economic policy and other traditionally sovereign areas.

That said, there are legitimate concerns about preserving democratic accountability in the Community. But they relate less to the Commission than to the Council of Ministers, whose authority seems set to grow as increased majority voting steadily shifts more decision-making to the centre.

The Council's institutional fitness needs to be closely examined. Its debates take place behind closed doors, many of its procedures are obscure, its consultation processes cursory and the direct accountability of its members to either the European or national parliaments is often tenuous. At the very least, much more transparency is needed.

Mrs Thatcher's speech would would have carried more weight if she had done less tilting at windmills and taken aim instead at those areas where *EC centralisation, occurring with Britain's explicit assent,* really poses risks of excessive concentration of power.

Urgent tasks for Mr Ozal

LAST Sunday's referendum in Turkey has placed the Motherland Party Government of Mr Turgut Ozal in an invidious position. The Government had asked the voters to allow it to amend the Constitution and hold local elections in November rather than in March next year.

Because of Turkey's chronic atmosphere of political instability, the local elections are regarded as a vital test of the Government's popularity, even though the Motherland Party has an overall majority of 135 seats in the 450-member National Assembly, based on a general election less than a year ago.

The electorate voted against the Government's proposal by a decisive majority, though Mr Ozal emerged – after two television speeches threatening resignation, if he was rebuffed – with the same 36 per cent share of the popular vote which he obtained in last year's general elections.

This result has left Mr Ozal still in power, but politically weakened at a time when he had hoped to be in a position to take unpopular economic decisions. It looks as if he will face strong pressure from his own followers not to clamp down on public spending, especially by municipalities, for another six months.

Public works

For most of the past two years, Mr Ozal subordinated economic priorities to politics, with increasingly serious consequences. Inflation has climbed back to levels reminiscent of Turkey's crisis years in the late 1970s and is currently running just below 80 per cent. The root causes are the huge public works programme, coupled with the domestic financing of Turkey's $38bn foreign debt.

The situation would be much bleaker if Turkey's exports had not grown so strongly during the last two years, allowing the current account deficit to be kept under control. This has enabled the country to remain relatively credit-worthy in the eyes of the outside world.

However, at home, the costs have been high. Political discontent has grown and strikes and protests have once more become widespread. Business confidence has waned.

Mr Ozal's imaginative reforms at the begining of the decade transformed him from a civil servant into the leader of a victorious party. Now economic and social stability is receding. So, too, may be the hopes of much more rapid growth by the Turkish economy in the 1990s, which would establish Turkey's credentials for full membership of the European Community before the end of the century.

Reckless bidding

The experience of the past two decades has led Turkish voters to believe that they can *force governments* and *political* parties into reckless bidding to stay in power. Yet the same population has also shown remarkable resilience on occasion.

There is no reason why even sweeping opposition victories in the municipal elections next March should signal the demise of the Motherland Party Government, with its huge majority in a parliament which has more than four years to run.

Some of Mr Ozal's advisers, notably Mr Rusdu Saracoglu, his 39-year-old US-educated Central Bank Governor, have been pressing unsuccessfully for the past year for tight curbs on public spending, lower growth, and a bold anti-inflationary policy. Such a course might be politically unpopular in the short term, but its rewards would not be long delayed. Continued compromise may be more damaging both for Turkey and for Mr Ozal's long-term reputation as an effective economic reformer.

Hoping for a boost

Rod Oram on Nasa's difficulties as it launches Discovery

While nothing, not even time, will ever completely heal the trauma of the Challenger disaster, the imminent launch of the space shuttle Discovery should go a long way to restoring Americans' confidence in their ability to conquer space.

With a deafening roar and dazzling blaze of exhausts, the shuttle is due to lift off from Cape Canaveral's Kennedy Space Centre today. Some countdown delays are likely, given the complex machines and tense emotions involved, but hopes are high for a textbook return of US astronauts to space.

Success would vindicate the rigorous revamping of the shuttle and of the National Aeronautics and Space Administration in the 32 months since the seven-member Challenger crew died in the explosive disintegration of their space craft, victims of bungling bureaucrats and cavalier technicians.

It would also help take minds off the fact that the space shuttle has become an expensive system largely lacking in a mission. Much of its original workload as a space truck for delivering satellites into orbit has been turned back to expendable rockets. A major new role in building and supporting a US space station is in doubt because political and budgetary pressures could kill, or at least substantially curtail the project.

Beneath the razzmatazz of the shuttle's phoenix-like rise lie troubling questions about the space programme. Critics worry that neither a Bush nor a Dukakis White House or a new Congress will have the vision, political will or money to reinvigorate space policy with clear long-term goals and leadership. "The great things in the space programme are in the Smithsonian Museum," one particularly disenchanted scientist declared recently.

The Challenger accident drove home the cruel truth that the US had severely compromised its space programme by relying solely on the shuttle to lift people, satellites and scientific experiments into space. Nasa, under intense budget pressure from successive Presidents, had advocated scrapping expendable rockets but had then failed to deliver an economic, safe and reliable shuttle.

Discovery being prepared for mating with its boosters

Taking to heart trenchant criticisms from the disaster inquiries, Nasa and its contractors have worked hard to put the shuttle and the agency's own organisation to rights. It has spent so far some $2.4bn (£1.43bn) to make changes to Discovery, but the total will rise to about $3.5bn by the time the other two surviving shuttles are upgraded.

In addition, Nasa is spending over $2bn to build a fourth shuttle to replace Challenger. The changes are so extensive that Discovery's launch is being treated as a test flight. The orbiter itself has had 220 major alterations, such as a crew escape system and improved landing gear. The booster rockets which caused the Challenger explosion have undergone 145 big changes, the main engines 30 and the external fuel tanks eight. Of the 500,000 lines of computer code for the launch, 38,000 have been rewritten.

Another $850m has been spent on reviewing and improving safety equipment and procedures. Nasa now has, for example, a vastly more elaborate system of quality control for preparing shuttles for launching to try to prevent a recurrence of the bureaucratic miscommunication and infighting that contributed to the Challenger's demise. Astronauts, largely denied managerial roles by Nasa in the past, have been given large responsibilities. Discovery's launch director, for example, is Captain Robert Crippen, the 50-year-old commander of the maiden shuttle flight in 1981.

"The shuttle is now an admirable piece of equipment, the best they can come up with, given the technological, political and budget trade-offs inherent in it," says Mr Brad Meslin, a managing director of CSP Associates, a Boston aerospace consulting firm. Nasa says the changes to equipment and procedures have increased the cost of each launch by about 50 per cent. Congressional analysts estimate, though, the cost has risen from under $200m to more than $500m if all hardware expenses and overheads are fully accounted for. In contrast, expendable rockets cost roughly between $50m and $200m each depending on size.

Burdened by more rigorous procedures, the turnround time between shuttle flights has lengthened considerably. Nasa originally boasted of fortnightly flights when lobbying Congress for shuttle funds in the 1970s. It never did better than once every six weeks before Challenger. Now it says it needs 150 days preparation but hopes to cut the time to 75 days.

Realising that the shuttle's usefulness would lessen because of these higher costs and greater inflexibility, the Reagan Administration ordered in August 1986 that the launching of civilian satellites be handed over to commercial companies building and flying expendable rockets. Major US groups such as Martin Marietta and General Dynamics, entrepreneurs and foreign space powers are now vying for the business.

Arthur D. Little, the US consulting firm, estimates there is a backlog of more than 100 satellites to be launched at a cost of some $7.5bn. Over the next 10 years an additional 200 satellites will generate $1bn a year in launch fees.

The US military has also taken over a large part of the shuttle's original role. The air force has embarked on a $12bn programme to build a minimum of 68 rockets of four different types derived, for example, from old inter-continental ballistic missiles. These will handle most military satellite launches now that the air force's $3.5bn California shuttle base has been mothballed. The Pentagon finds it easier to get space money out of Congress than Nasa. Under the Reagan Administration the military space budget has tripled to around $15bn a year of which only a quarter is closely linked to Strategic Defence Initiative (Star Wars) projects.

Nasa, finding it hard to maintain its funding in real terms, is getting $10.7bn in the fiscal year beginning October 1. Even with its drastically reduced workload, the shuttle will still take a long time to work off its payload backlog. With only one other flight planned this year, seven next year and 10 in 1990, many important scientific projects such as the hubble space telescope have been pushed far down the schedule.

A successful launch this week will at least get the work underway again, while giving give Nasa's morale an enormous boost and its clout in Congress something of a lift, too. It is to the politicians that Nasa will have to devote a lot of its energy if it is to get funding enough to fulfil present goals.

"It needs at least a 30 per cent budget increase over the next two or three years," Mr Meslin says. Top of the shopping list is the space station which will cost from $19bn to perhaps more than $30bn. Nasa's main problem is how to sell it to Congress. Is it just a highly expensive base for experiments and for building up human experience of living in space? Or is it a genuine first step toward a manned mission to Mars?

With Nasa still unable to articulate a clear and compelling reason for the space station and critics carping at its practicality, the agency could find a budget-conscious Congress unwilling to fund it in its present form. Cancellation of the station would deprive the shuttle – the heart of Nasa – of its last major workload.

Both Mr George Bush and Mr Michael Dukakis say they would support the space station if they were elected President. "In fact I don't see any fundamental differences between the two campaigns on civilian space policy," an independent policy analyst says. The trouble is that neither candidate will make any specific, deep or dramatic commitments to space. With only the President politically powerful enough to be their effective patron, many scientists and officials in the space community worry that they will continue to be starved of funds under the next administration.

Discovery will help Nasa's cause but "we shouldn't make too much of one launch," a space scientist says. After all the work put in, "it should be safe enough to put my grandmother on. I'd be concerned, though, about the 25th one when it is back to business as usual. This launch is not the real test of the US space programme – time is."

BOOK REVIEW

Liberalism in the 1990s

THE MODERN SOCIAL CONFLICT
An Essay on the Politics of Liberty

By Ralf Dahrendorf
Weidenfeld & Nicholson. £15.95

THE WORD liberal used to have two meanings on the two sides of the Atlantic. In the US it has meant support for state intervention to improve people's lot and a distrust of the market place. In Europe it used to mean a stress on personal liberties and support for competitive capitalism.

Those of us who feel that there is a common core to both types of liberalism – and that each is impoverished if one just splits off to the political left and the other to the political right – will welcome Professor Dahrendorf's book.

The Modern Social Conflict is not, however, a list of mechanistic policies of the kind that political parties nowadays require from their intellectual think tanks. It is a historical essay, which cannot be easily summarised in a message in the first or last chapter.

The book is not difficult in the sense of a modern economics book, with its rigour and quantification. But the argument has its own difficulty, which centres in part on the word citizenship, the concept which might bring together the two kinds of liberalism.

The issue which divides liberals is how much intervention, whether positive discrimination for racial minorities or economic levelling up, is required to make a reality of equal citizenship. Dahrendorf would side with classical liberals like Hayek in insisting that material inequalities and a market system are indispensable to a free society. But he would side with newer liberals, such as the US philosopher John Rawls, in wanting a good deal of redistribution and the erosion of less tangible social differences if everyone is to be a full citizen.

Why then does not Dahrendorf settle for some sort of moderate social democracy as his ideal? Because of his dislike both of the welfare state bureaucracy and of corporatism; in other words, government by arrangement between interest groups such as unions and employers' federations. He remarks that groupings as different as the Thatcherites and the Greens have something in common, namely that they have broken the mould of British corporatism and German bourgeois complacency.

If anyone thinks this essay too full of abstract entities and isms, he might reflect that Dahrendorf has been quicker to spot many key trends than economists or political psephologists who are still searching for the supporting data.

One example is the difference between the 1970s and 1980s. Both have been marked by the end of full employment and the expansion of the Welfare State. But whereas the 1970s were a decade of inflation and low growth, the 1980s have seen a return to rapid growth and expansion of opportunities for the majority, but combined with growing wealth and income disparities and the exclusion of a section of the population from these advances.

Europe has accumulated a deep-seated unemployment problem, while the US has created far more jobs, but to the accompaniment of growing poverty. Dahrendorf realises that countries on the two sides of the Atlantic have reacted in different ways to a common problem: "not enough jobs at a level of pay which most would associate with a decent standard of living." The US has reacted by sacrificing a decent standard of living, and Europe by sacrificing jobs. Neither response is satisfactory.

Dahrendorf carefully distinguishes between the working poor and the underclass. The latter are minority groups living in the poorest areas of large cities characterised by lower attachment to the labour force, drug and alcohol abuse, out-of-wedlock births, long-term welfare dependency, and a tendency towards criminal behaviour.

The two classes both worry the prosperous majority, not only by pricking their consciences, but by the anxieties they create that the good times may not last.

The author draws a number of conclusions from the distinction between working poor and underclass. But he believes that both classes would benefit from some form of basic income guarantee or negative income tax, both as a levelling up device and as a guarantee of that most important of all rights: the right not to work.

Yet if the aim is just to reach the bottom 20 per cent of the population, an extension and liberalisation of existing social security, including family benefit for people with jobs, would be more cost-effective than a basic income guarantee. The latter comes into its own mainly as part of the wider goal of a non-work income available to all, as "an entitlement not subject to the vagaries of political fashion." Nigel Lawson has spoken of a nation of inheritors; a basic income or its equivalent would make this a reality, which it has no chance of being at present.

The difficulties facing basic income guarantee are not only cost. Just when the privileges of a leisure class can be approached by larger numbers, the ideal held out to us by the upper status groups has shifted in the direction of the workaholic, today's embodiment of the puritan ethic. Dahrendorf recognises that this is not a good climate for his new social contract, but rightly rejects fatalistic resignation to the worst aspects of the status quo.

Samuel Brittan

OBSERVER

Salomon in Spain

■ Salomon Brothers, who not so along ago seemed to be cutting back all over the place, are about to open a representative office in Madrid. The move could be the prelude to further European expansion. Salomon already has offices in Frankfurt and Zurich; the next likely places would be Paris and Milan.

The decision to set up in Madrid is a recognition of the continuing high growth rate of the Spanish economy and also of the need to be in on the ground before domestic competition for business becomes much stronger.

In the last four years Salomon's corporate activities in Spain have been presided over by Donald Johnston, who also looks after Portugal, Austria and Italy and is based in the London office. This is the first week in a very long time, he says, *that he has not been in* Spain at all. He realised a while ago that the country needed someone on hand 24 hours a day and who would be there at weekends. According to Johnston, the New York office left him remarkably free to make the arrangements. "It was a matter of finding someone familiar with our culture." (The word "culture" is indelible in the Salomon vocabulary.)

The choice has gone to Alberto Ibanez Gonzales, who has been associated with Salomon since the merger with Philip Brothers in 1981. He has been living jointly in Switzerland and New England for the last six years as director of Phibro Energy responsible for Oil Products Trading worldwide. With his wife and six children he will now settle in Madrid.

Salomon's main competition in Spain comes from Goldman Sachs, though the British are also active and the Spanish themselves are coming up. Recently, Johnston says, Salomon lost a piece of business to a Spanish merchant bank. Much of the big business so far has been in the Spanish banking mergers. The aim now is to break into the middle tier market.

Berlin air

■ The Berliner Luft is supposed to be good for you; not, however, for Robin Leigh-Pemberton, the Governor of the Bank of England, who has been confined to bed during the IMF meeting. The reason given is the air-conditioning in the Congress Hall.

Burt's future

■ This is the time when American Ambassadors are thinking about their future. None more so than Richard Burt inWest Germany. Now 41, he took over in Bonn three years ago as the Reagan administration's youngest emissary abroad and already had a sparkling career behind him.

In the 1970s Burt helped further to internationalise the London-based International Institute for Strategic Studies. He was always a good writer and went on to work for the New York Times. "There are three great things that can happen to you in life. One is graduating from university, another is getting married and the third is being invited to join the New York Times," said the man who hired him. But he did not much like journalism, partly because people interfered with his copy. So he moved to the State Department and became Director of the Bureau of Politico-Military Affairs. Burt had a lot to do in his early days with identifying the socalled Euromissile gap, which led to the introduction of cruise missiles.

"Two crates of recycled paper and an air ioniser for the PM's office."

In Bonn he quickly adopted a high media profile. Married, in 1985, to a former aide of Nancy Reagan, he has extended the arm of American diplomacy to German illustrated magazines, where he often pops up in family photographs. A fresh round of publicity may be in store now that he has brought out a book on what he calls the "mature partnership" between West Germany and the US. Based on his speeches during his time in Bonn, it contains no revelations but is the kind of solid stuff that serious Germans might like on their bookshelves.Any profits will go to a hospice for sick children set up in Germany by the McDonald's hamburger company.

As to what happens next, Burt declines to encourage speculation that he may be due for a senior Washington post in the event of a President Bush. It would probably have to be very senior indeed to tempt him. Perhaps with an eye to keeping up the rather glamorous lifestyle he has acquired in West Germany, there is talk of him seeking a job in business, in case the Democrats win. He says that he has a "few options" open, but does not want to talk about them until after November.

Antique play

■ The season of new games has already arrived. The Serif Group, which handles Trivial Pursuit, has cooperated with the BBC to produce the Antiques Roadshow derived from the television programme on which people around the country present potential antiques for valuation. The game is similar to Trivial Pursuit, except that the questions are confined to antiques and related matters. Players may categorise themselves as amateurs, enthusiasts or experts and then answer such riddles as: "If your pot had been clobbered, what happened to it?"

Girton's men

■ Girton College, Cambridge, seems to have forgotten its roots as Britain's oldest residential women's college. The invitation to its reunion dinner on Friday stipulates "black tie" – not a very helpful guide to the female graduates from a decade or more ago. Inquiries at the 119-year-old institution reveal that it means evening dress, though not necessarily long.

Men were let in from 1977 in an extension of Girton's liberal admissions policy. The three-mile gulf between it and the city centre, regarded as necessary protection for Victorian maidens, had by then become a recruitment liability.

Consolation

■ A new bumper sticker has appeared in Washington following the Bush-Dukakis television debate: "Thank God only one of them can win."

David Thomas on British moves to extend classroom-industry links

A lesson in self interest

Mr Tony Doran, deputy head of Saltwell high school in Gateshead, in England's north-east, is preparing to exchange the familiar blackboards of his classroom for the bustle of the assembly line at Komatsu, the Japanese construction equipment manufacturer.

Next month, Mr Doran will start a six-month stint at the company which will give him a taste of all the jobs at its Gateshead plant, from painting and welding on the shop floor through to office and managerial functions.

For Mr Doran, it is an opportunity to understand the needs of one of Gateshead's larger employers and to see whether industrial management techniques can be imported back into his school. For Komatsu, it helps foster the image of being a good corporate citizen.

In the future, if the British Government has anything to do with it, there will be a lot more teachers following Mr Doran's path. Three Cabinet Ministers yesterday presided over a showy launch in London of an initiative to boost school-business links. The Government is appointing a national network of 140 advisers to act as a focal point for contact between the worlds of work and education.

Top of the advisers' agenda will be two government targets. All pupils should have work experience before they leave school. A tenth of British teachers should get business experience each year.

Two reports out this week show just how daunting these targets are. The first revealed the depth of business dissatisfaction with the school system. The second disclosed just how patchy is the present level of contacts between school and businesses.

The Bow Group, a Conservative Party ginger group, surveyed 72 senior businessmen, representing companies as diverse as Amstrad, British Petroleum, General Electrical Company, ICI, Jaguar, Logica, Royal Insurance and United Biscuits. They were unanimous on only one item: that improving Britain's education should be a top government priority.

"Minimum standards and expectations tend to be low, engendering a tolerance of mediocrity, lack of motivation and undervaluing of skills," was one of the more moderate responses.

Meanwhile, the Confederation of British Industry reported on the biggest attempt to discover what is happening on the ground. Prepared by Booz Allen and Hamilton, management consultants, the survey found 40 per cent of secondary schools and more than half of business lacking sustained contact. One pupil in five, at best, is caught up in sustained links beyond brief work experience.

However, it would be easy to gain too depressing an impression from these findings. Scarcely a week goes by without the announcement of yet another company doing its bit by teaming up with schools.

One of the initiatives rousing most interest are compacts, by which groups of employers guarantee jobs to schoolchildren from inner city schools who reach agreed standards in the classroom. Pioneered in the East End of London last year, the Government is helping to finance 30 new compacts next year.

"The thing has become enormous. It has exploded," Mr Richard Martineau, a director of Whitbread, the brewery group, told a recent meeting called by compact enthusiasts to drum up support among other employers. Whitbread's role in co-ordinating employers in the East London compact is now being emulated by other large companies, such as Citicorp, Marks and Spencer and J. Sainsbury.

Many large companies are also expanding their traditional school activities. Shell, long noted for supplying educational materials, intends to sharpen up the focus by making these fit more closely into the new, more practically oriented school curriculum.

Even the Treasury, bastion of hard-headedness, is getting into the act. It is considering offering work experience, mainly in clerical functions, to 50 school children a year.

Two factors – need and opportunity – are converging to stir up interest.

Companies' school activities used to be seen simply as altruism. Now the focus is changing. Companies are beginning to realise that the skill shortages they face now are set to intensify: by 1993 there will be 25 per cent fewer 16-year olds.

Self-interest represents a significant part of the sales pitch for compacts in London: companies failing to establish links with schools now will have to scrape the barrel for recruits by the early 1990s.

Just as companies are waking up to the need, the opportunities for them to become involved in schools are growing. The Government's technical and vocational education initiative (TVEI), compacts, City Technology Colleges, work experience and work shadowing for pupils and teachers, co-operation on curriculum development, financing equipment, encouraging employees to become school governors, helping to train teachers – these are just a few of the routes open to a company eager to help.

But the very richness of opportunities may bring its own problems. One is confusion: many companies in the CBI-Booz Allen survey called for a rationalisation of the numerous organisations which now exist to promote the link activities.

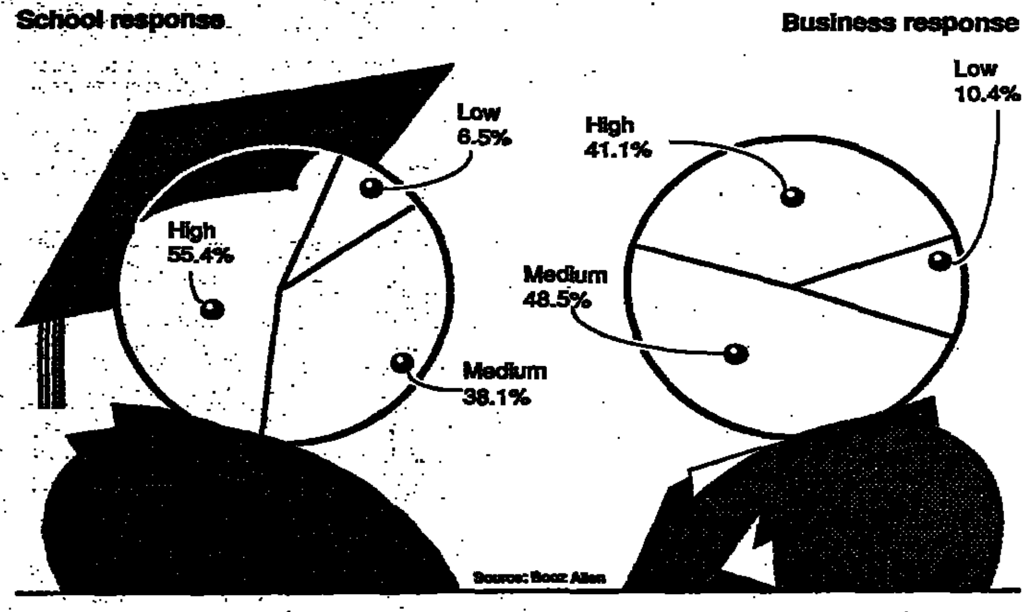
Another danger is of raising expectations impossible to fulfil. Some schools are unrealistic in seeing well-heeled companies as a pot of gold offering welcome financial relief after years of penury.

A more fundamental issue is whether the great bulk of companies will respond at all. Contrary to conventional business wisdom, the CBI-Booz Allen survey found schools to be much more active in initiating links than businesses.

As Lord Young, Industry Secretary, said at yesterday's launch: "Companies, you have often complained about the quality and the attitudes of school-leavers . . . Before you complain in the future ask yourself why you were too busy to help that local school."

The Government is calling industry's bluff.

How effective are existing school-business links?



Fund-Bank conference notebook

By Samuel Brittan in Berlin

The traditional capital of Prussia, which recently celebrated its 750th anniversary, has provided a magnificent, if occasionally slightly sinister, series of stage sets for this year's International Monetary Fund and World Bank meeting.

One highlight was a Citibank reception in the Gropius Museum of Modern Art: several storeys around a huge covered courtyard, brilliantly illuminated at all levels; a barrel organ at the entrance, bands at the furthest corners and ranks of riot police in the streets outside. It was like a film set for an eve of revolution.

But was anything happening behind the stage? The conventional answer is no: finance ministers were trying, not always with complete finesse, to keep the world's currency markets sweet before the US presidential election, after which they would see the long-foreshadowed great US budget-balancing spectacular.

The spectacular will, in all probability, turn out to be a minor B film. Even if the US budget were miraculously balanced, the borrowing is highly likely to be transferred to the private sector, leaving the current deficit still in place, but probably not mattering.

This scenario will of course suggest itself to any close student of British events and the British Chancellor, Nigel Lawson, did indeed dwell on it in a highly abstract way. But not a single non-British representative whom I met showed the slightest concern with, or even good knowledge of, the UK current account deficit.

Whoever thought of the word imbalances to describe a pattern of worldwide borrowing and lending between, for instance, the US, Japan and Germany, has a great deal for which to answer.

BERLIN

Fortunately not everyone is waiting in decadent fashion for an American initiative to which to respond. Work is going on on alternative monetary and exchange rate proposals. The main IMF studies should start surfacing in January, about the time a new American President takes over. But it would hardly take two hours for the Fund staff to present a framework for co-operation if called upon to do so.

Nearly all Fund lending is to developing countries, who also make up the bulk of its membership.

It now has more in common with the Third World-oriented World Bank. Discussion of development and particularly debt problems dominate conversation at the annual meetings, and even more so among the commercial bankers.

On the debt side the poorest African countries, whose debts are nearly all official, have been helped by relief flowing from the Toronto Summit initiative. It was in the middle income countries, with debts owing mainly to commercial banks, that Michel Camdessus, the Fund's managing director, moved further from prevailing orthodoxy. He advocated "debt reduction" and even the hitherto unmentionable "debt forgiveness." Mr Camdessus also wants to encourage the purchase by debtor countries of their own debt at prevailing market discounts. The process is already beginning and is also a key feature of the Japanese initiative.

The Fund director has an oratorical and presentational flair not seen since the days of Per Jacobsson in the early 1960s. In a dialogue with the German churches he was asked about the fate of the poorest when IMF conditions are imposed. In response he went beyond the party line of saying that the distribution of adjustment was a problem for debtor governments. He criticised the priorities so often given to military spending at the expense of education and health. Speaking on the same day as the £1bn government-to-government, partly barter, British-Malaysian arms deal, he should have added something about the arms sales policies of Western governments.

At the political level an alliance is developing between Japan, France and the Fund itself on issues ranging from debt reconstruction to increases in Fund quotas. The Americans, Germans and British are understandably suspicious of the dirigiste instincts of these countries. But why not respond with ideas of their own? Germany in particular, as the world's third largest economic power, needs to do more than keeping a stiff upper lip and calling for more details of others' proposals.

* * * *

Meanwhile there need be no apology for trying to put macroeconomic co-operation in the main industrial countries on a better footing. Much the best contribution has come from an unofficial study chaired by a former British Cabinet Secretary, Lord Hunt. (International Macroeconomic Policy Co-ordination, Group of 30, St Mary at Hill, London, EC3P 3AJ.)

The Group of 30 study reads like a development of Nigel Lawson's initiative at the 1987 meeting, when he advocated published movable exchange rate bands with some action to prevent a sustained inflationary or deflationary drift for the system as a whole.

This study should and could have formed the basis of the Chancellor's IMF speech this year. Instead he delivered a Treasury-derived lecture on the unimportance of the current account. Although, in my minority view, this is quite valid, it looks like special pleading when the British current deficit has surprised the Treasury by shooting up to 2¾ per cent of gross domestic product.

For matters affecting the world monetary system we must return to the Group of 30. The authors consider the alternatives of discretionary co-ordination, a system based on economic indicators and one based on exchange rates.

They reject discretionary management partly because it tends to be confined to trouble-shooting in crisis. Or, as in the case of the notorious expansionary budget decided at the 1978 Bonn summit, it "is the result of such protracted bargaining that the agreement is obsolete almost as soon as it is reached."

Co-ordination based on indicators is also rightly rejected. Links between instruments and targets are variable and controversial – often even indirect. Governments are most unlikely to agree on any automatic connection between policy response and deviations in the indicators (whether intermediate ones such as the money supply or budget deficit, or more final objectives such as growth in prices).

Rule-based co-ordination, hinging on exchange rates, emerges as the best option: not only by elimination but because the exchange rate is "the single most important price in the economic system, unambiguously defined with instant data available."

Moreover, the European Monetary System experience suggests that participating countries can retain a good deal of freedom in fiscal policy. This upsets those who believe in co-ordination for its own sake. On the other hand, the much-vaunted monetary freedom conferred by splendid isolation is highly deceptive; and nothing is gained by appeasing prime ministers on the matter.

The Plaza and Louvre accords, to the extent that they have worked, have been based on exchange rates. A rule-based system can use them as a foundation. As the study reminds us, there are many important details to decide. The present unannounced reference ranges are both broad and soft. The dollar is still just within its unpublished range, despite its sharp rise over the summer. Moreover, currencies are allowed to drift outside the ranges in time of stress.

Nevertheless, the key question relates to the arrangements for changing the ranges and also to how internal policy adjustments should be shared between weak and strong currency countries to make the ranges effective. Intervention can only buy a little time. These are the questions on

BERLIN

which the Chancellor over-cautiously missed the chance to make a contribution.

Of course conference speakers would describe them as difficult. In fact they are much less so than most human decisions. But they will not be solved by lying on our backs waiting for the next American President who I hope will show little respect for those disinclined to think for themselves.

LETTERS

Familiarity with figures

From Mr Godfrey Barker.

Sir, I much admired Mr Michael Meacher's punishing exposition of the Government's fiddles with the unemployment figures.

When, during the General Election, I asked Mr Neil Kinnock whether a Labour government would instruct civil servants at the Department of Employment to remove these distortions from the figures forthwith, he replied: "No, people have got used to the figures in their present form."

Godfrey Barker,
26 Charles Street, W1

Discrimination in the Punjab

From Mr H. Singh.

Sir, While the conciliatory gestures of the Indian Government in releasing detainees and approving a major agro-industrial project for the Punjab are laudable, the steps taken tend to bypass the problem of economic discrimination based on religion and caste.

The central Government still perpetuates the domination of trade, industry and other areas of the economy by sections of the population who owe little allegiance to Punjabi culture, language and the socio-economic development of the state.

The trend in India is towards industrialisation and urbanisation. Until the interface between the established urban communities and the new arrivals is sensibly handled, there would appear to be little hope for harmony and peace.

H. Singh,
South Ruislip,
Middlesex

Healthy demand is not enough

From Mr Jonathan Sloggett.

Sir, I am not as pessimistic about the effects of the Channel Tunnel on ferries as Mary Carpenter implies (Letters, September 27). I agree that there are millions who will never wish to take an underwater route to the Continent.

However, the existence of healthy demand is not a sufficient condition of continued supply. What is required is demand at price levels which will allow shipping operators either to remunerate their capital or (as in too many cases) not to push the providers of their subsidies too far.

In general, ferry profits rarely meet long-term requirements and the tunnel is only one – not necessarily the most immediately worrying – of the factors likely to lower profits further. Even greater investment in safety systems, the possible imposition of VAT on fares and removal of the duty-free concession are others.

If it only needed a high level of consumer desire to maintain an industry then we would still have the transatlantic ferries.

Jonathan Sloggett,
Managing Director,
Dover Harbour Board,
Dover, Kent

Into the maze of liquidation law

From Mr Brian Mills.

Sir, I was interested to read your report ("Bankruptcy creditors 'leave over £1bn a year unclaimed'," September 22).

Mr Christopher Morris of Touche Ross, the author of the remarks referred to in the article, draws attention to the fact that many creditors fail to send in proxy forms for creditors' meetings, and that, of those who do, a large proportion make them out in favour of the meeting's chairman who, in a voluntary liquidation, will be a director of the insolvent company.

In this way, any such creditor is leaving his vote, and the control of his debt, in the hands of somebody who brought the business to its knees in the first place.

It is perhaps more important to note that in a winding up by the Court, postal votes sent in for use by the chairman are not used to counter the votes of those creditors who actually attend. Perhaps the same procedure should be enforced in voluntary liquidations. If it were, the decisions at such meetings would rest with those creditors who actually attend (in person or through a representative).

My firm constantly represents creditors at these meetings. We make great efforts to explain the proxy forms to our clients and to see that they are filled in correctly. However, perhaps attention should instead be focused on modifying the conduct of the meetings for which the forms are prepared.

As to credit control being "slack", our experience, drawn from our dealings with credit controllers in various parts of the country, is that in recent years their interest in insolvency proceedings has increased, and they are often keen to play a part on behalf of their company.

Brian Mills,
Booth, White & Co,
1 Wardrobe Place,
Carter Lane, EC4

From Mr John B. Potter.

Sir, Whilst legally speaking it may seem odd that smaller businesses do not pursue claims thoroughly against companies in liquidation, only quite large companies can afford a financial department specialising in the laws and procedures relative to the control and collection of funds.

Our experience of the practicalities of trying to recover monies from both liquidators and directors is that often the directors abscond, the liquidators are obstructive and sometimes "couldn't care less". We have had goods which were the subject of retention of title clauses go astray after the appointment of a liquidator.

The laws and regulations need to be simplified and tightened and both directors and liquidators controlled more rigidly.

Perhaps the controversy resulting from Mr Christopher Morris's report will be the catalyst of a new era of change and innovation in liquidation law.

John B Potter,
ZED Electronic Developments,
Zeal Court,
Moorfield Road,
Yeadon, Leeds

The CEGB may frustrate the main purpose of privatisation

From Councillor F.A.J. Emery-Wallis.

So there is a divergence of view in the City about the value to be put on the assets of the electricity industry and scepticism about the Central Electricity Generating Board's investment plans ("Broker says electricity valuation is 'optimistic'," September 19).

We in Hampshire are sceptical about the CEGB's proposal that one of its new 1800 MW coal-fired power stations should be at Fawley. It is a sensitive location, where the New Forest meets The Solent.

Apart from our many environmental concerns, we question the financial practicality of the proposal. It is one thing for a nationalised industry to get the £1.3bn needed to build Fawley B from the Treasury. It is quite another to raise that sort of money for a single project on the commercial market.

But my biggest concern is that the CEGB should not frustrate the main purpose of privatisation – a more competitive electricity generating business, with all the benefits which this would bring to the consumer. That means sustaining and encouraging commercial interest in the very promising smaller electricity generation options which tend to be a good deal less damaging to the environment.

The CEGB seems still to adhere to a faith in the consumer benefits of large-scale generation. Surely we should leave to a privatised electricity generation industry the decisions about how to adapt and augment the present pattern of, on the whole, large-scale generating units?

To many of us, the most promising course would seem to be to give greater flexibility to the present system by adding to it smaller generating units near areas of expanding demand, not more giant projects like Fawley B.

It would be most unfortunate if, by putting forward proposals for huge new power stations, the CEGB in its dying days manages to deter commercial interest in new approaches to electricity generation, and to saddle us with a continuation of the "big station" policies of the 1960s.

F.A.J. Emery-Wallis,
Leader of Hampshire Council,
The Castle,
Winchester, Hants

FINANCIAL TIMES
Thursday September 29 1988

Italy steps up Mafia battle after murder of judge

By John Wyles in Rome

THE ITALIAN Parliament yesterday stepped up its battle against organised crime with an attempt to accelerate plans to equip its anti-Mafia Commissioner with new powers. The Government, lashed by a fresh wave of attacks on politicians in general, was spurred into action by the Mafia's execution on Sunday night of a senior Sicilian judge.

Senate leaders yesterday agreed to speed up approval of legislation adopted by the Government on September 2 so that it may be passed to the lower chamber by the end of next week. Added to the impulse for speed was a very clear threat of resignation from Mr Domenico Sica, the new Commissioner.

In an interview published by Italy's financial newspaper, Il Sole 24 Ore, on Tuesday, he warned that unless Parliament approved the proposal for a substantial increase in the powers and resources of his office, he would quit on August 2 1989 – one year after his appointment.

His nomination and the decision to give him unprecedented powers of investigation and co-ordination of the national effort against organised crime was specifically designed to demonstrate that the state was stepping up its battle against the Mafia. The events of the past few days suggest that the Mafia is equally determined to demonstrate that it is far from intimidated.

The judge who died on Sunday was Antonino Saetta, of the Palermo Appeal court. He and his 35-year-old son were hit by more than 40 bullets.

The Mafia has murdered seven investigating magistrates but had not previously killed a tribunal judge. The Saetta murder is seen as a clear and resounding warning to those judges who will be considering the appeals from the 300 or so *mafiosi* convicted last December at Palermo in one big trial.

Within 24 hours, the Sicilian Mafia made another murderous point by shooting to death Mr Mauro Rostagno, a former militant left-winger, who had spent the past eight years running a centre for drug addicts and alcoholics at Trapani. The Mafia was displeased by his regular appearances on a local television station to urge public protests against connections between local politicians and organised crime.

The interview with Judge Sica gave a different professional view of the difficulties of fighting the Mafia, compared with the struggle against left-wing terrorism where he has scored some notable successes.

The problem was one of numbers, he said. Terrorists could be counted in hundreds at most, had known friendships and left identifiable clues. However, there were more than 20,000 suspected *mafiosi*, to which should be added "the *mafiosi* already found guilty, the recyclers of money, the sub-contractors and the 'clean' front-men heading companies above suspicion."

French conflict over credit cards

Ian Davidson reports on the march towards financial deregulation

THE melodramatic conflict pitting the leading French banks against the Government over the increase in their credit card charges has become a headline story in France second only to the Olympic Games and the strikes in the state-owned broadcasting networks.

The sound and fury over the credit card charges is no doubt less significant than the melodrama would suggest. Yet the conflict is a symptom of the present way-station in the deregulation of the French financial system, which has already made large strides towards the world of liberalism and competition, but without entirely leaving the old world of state regulation and financial corporatism.

Bérégovoy: keeping up public pressure on the banks

Last week, the three biggest clearing banks, Banque Nationale de Paris, Société Générale and Credit Lyonnais, all announced substantial increases in the fees for their credit and cash withdrawal cards, and the melodrama thereafter moved rapidly forward.

On Wednesday Mr Pierre Bérégovoy, the Finance Minister, reacted angrily, insinuated that the banks were operating a cartel, and warned that he might refer the increases to the Competition Council. On Friday inspectors from the Ministry, accompanied by police officers and armed with judicial warrants, made unexpected visits to the central credit card operations of the three banks, and removed documentation.

Within hours Credit Lyonnais announced that it was suspending its planned increases and was engaged in consultations with the relevant consumers' organisations. The two other banks said that they would stick by the announced increases.

The documentary evidence carried away from the three banks should quickly enable the ministry to decide whether to refer the matter to the Competition Council. The banks themselves claim that there was no concertation since the announced increases were slightly different for different categories of card, and were to come into force on slightly different dates – September 1 or October 1.

On the other hand, they argue with complete unanimity that they have not put up their charges since 1985, and that the fees they charge do not cover the costs of the service provided.

On the opposite side of the battlefield, the Government has not waited for a formal verdict on the competition question but has kept up the public pressure on the banks to back down.

From as far away as the annual IMF meeting in Berlin, Mr Bérégovoy has reiterated his view that the banks should simply withdraw the increased charges. A senior Socialist has warned that the party might not vote for the elimination of the tax on bank advances, as scheduled in the 1989 budget, at a cost of FFr1.4bn ($219m) to the state.

Meanwhile, however, the credit card system has also come under attack from the traders and retailers. It has already been referred to the Competition Council by the Conseil National du Commerce, on the grounds that it applies cartellised commission rates to the 400,000 retailers who accept credit cards for payment. The verdict on that appeal is expected on October 12.

Whether the anti-competition charge can be made to stand up in either case, it seems clear that the argument is really the penultimate gasp of a long-standing reflex, according to which the financial system takes its marching orders from the Finance Ministry.

This may sound odd when the minister in question is Mr Bérégovoy, the pioneer of deregulation four years ago and who is probably a more genuine economic liberal than Mr Edouard Balladur, who presided haughtily over the Finance Ministry during the two years of the Chirac Government.

Moreover, Mr Bérégovoy's apparent motive for making a major case of a secondary issue is partly his anxiety about the rate of inflation for services, which is going up twice as fast as that for goods, and partly his concern to resist anything which points in the direction of higher interest rates.

Nevertheless, governmental reflexes have deep roots. In 1986 the Chirac Government removed price controls for services, at least in principle. But when at the beginning of last year the banks sought to introduce a generalised system for charging fees for cheques, there was a large public outcry, not unlike the current controversy over the credit card charges.

Mr Balladur publicly called on the banks to postpone their plan, and cheques still do not carry a specific charge. No doubt that experience is one reason why the banks waited for 18 months before taking on the credit card issue.

As a result, the banks complain that they are losing money on both the main methods of payment, cheques and cards. According to one study, a cash withdrawal by cheque in a bank branch cost FFr15, while the handling of a cheque for payment costs FFr2-FFr3.

By contrast, a cash withdrawal by card from an automatic distributor, of which there are 11,000 country-wide, costs about half as much as a cheque: FFr6-FFr8.50, depending on the complexity of the machine; while the processing of a purchase by card costs almost as much as a cheque: FFr2.

Moreover, at least the banks receive a fee for issuing a card – FFr75 for a nationally valid card before the latest rise, and FFr135 for an international card. It is hardly surprising, therefore, that the banks have been discouraging the use of cheques for small payments, and pushing the use of cards instead.

For the consumer, the card system is extraordinarily convenient, not just because the distributor machines are very sophisticated, offering bank statements as well as variable cash withdrawals, but mainly because any machine will take any card, whatever the label.

If the human face of French banking sometimes appears a shade primitive and bureaucratic, the mechanical face is remarkably up-to-date.

As a result, there has been a steep surge in ownership of cards (16m last year), as well as in the volume of use (up 50 per cent last year to FFr330bn). The trouble is that, as the banks tell it, they lose money on every card.

According to the study quoted above, the handling operations on the average card cost FFr140 per annum, plus a loss of interest of a further FFr60 on deferred debit operations, making a total cost of FFr200, a bill which would still not be covered even by the increased fees.

It is not entirely surprising, therefore, that the banks, having in the past tried to discourage the use of cheques for small payments, are not trying to discourage the use of credit cards for small payments.

It is not surprising, but it does little to endear them to their customers and it makes them easy targets for the gibes of the political establishment.

In the meantime, the French Post Office has leaped into the breach, by launching its own card entitled "Post Epargne". Although not a fully-fledged credit card, it is a cash card which can be used to withdraw up to FFr1,800 in cash per week from Post Office savings accounts (Comptes Epargne), at any one of the 600 distributors now operating.

This new card capitalises, in a different way of course, on the success of the Post Office's "smart" telephone cards (17m sold last year), the most sophisticated version of which charges the bill of a home or office telephone account.

No country in the European Community is more aware than France of the significance of the Single European Market and as it comes nearer no doubt France will increasingly move towards the real liberalisation of the financial system.

It will then become very difficult to assume, on the one hand that the financial markets must be transparent and interest rates inter-connected, but to expect, on the other, a complete disconnection between the fees charged by financial institutions.

Protection sought for EC car industry

By Kevin Done in Paris

MR RAYMOND LEVY, chairman and chief executive of Renault, the French state-owned automotive group, yesterday fired fresh shots in the mounting French campaign to protect the European car industry from Japanese imports following the creation of a single European market in 1993.

He also gave outspoken support to the French Government's refusal to treat cars built by Nissan of Japan in the UK as European-produced cars, a move that is provoking a growing conflict between the UK and French Governments.

The French Government is insisting that Nissan's UK-built cars be treated as part of its unilaterally imposed quota on Japanese direct imports, which restricts Japanese car makers to only 3 per cent of the French market. The UK Government claims that the cars should be treated as British because they reached 60 per cent local content at the beginning of the year.

France insists that the cars should be part of the quota until they have 80 per cent local content. European Community rules state only that to qualify as an EC product "the last substantial manufacturing operation" must be performed in the EC.

Nissan is poised to begin selling cars built at its Sunderland assembly plant in north-east England in continental European markets next month.

Mr Levy said the UK-built Nissan Bluebird could only be considered a European car when it reached 80 per cent local content.

"We say it is not a European car and we think it should not be circulating in Europe under a European label," declared Mr Levy at the Paris motor show.

Nissan claims that it has currently reached a local content of about 70 per cent and it is unlikely to reach 80 per cent before a new Bluebird model is introduced in 1990-91.

Mr Xavier Astorri, marketing manager for Richard-Nissan, Nissan's minority-owned importer in France, said yesterday that the first UK-built cars were already scheduled for delivery to the port of Le Havre on Monday.

He said that the 1,000 UK-built Bluebirds due for delivery this year could initially be included under Nissan's import quota. The Japanese quota of 3 per cent for 1988 was based on forecasts of a French market of only 1.95m cars, but the market has performed much more strongly than expected, which equally allows Japanese imports to increase further.

Nissan was planning the sale of about 5,500 UK-built Bluebirds in France next year, but this would have to be significantly reduced unless the quota threat was removed.

Mr Levy called for European regulation to impose an 80 per cent local content level on all Japanese cars built in Europe.

He said trade barriers were needed around Europe. Existing French protectionist measures should be kept until "lasting if not eternal" European measures had been introduced.

"Europe must defend itself, but if Europe takes no measures, I want France to stand alone in defending itself," he said.

Peter Montagnon adds: Lord Young of Graffham, UK Secretary of State for Trade and Industry, is expected to take up the issue of Nissan exports to Europe today in letters to the French Government and the European Commission in Brussels.

In the correspondence, he will argue vigorously that cars from Nissan's plant in Sunderland, northern England, count as UK-manufactured and it is unreasonable to impose an 80 per cent local content requirement.

THE LEX COLUMN

C&W tries to dial the right number

Cable & Wireless's £284m bid for Telephone Rentals is small beer in relation to its own stock market capitalisation of around £4bn, but this does not mean that it can afford to lose its first hostile takeover battle. Having been made to look rather foolish by the speed with which Racal jumped out of its reach, C&W urgently needs to prove that it can mount a successful takeover bid without paying a silly price. Even more important, the purchase of TR will go a long way towards offsetting concerns about the credibility of some of the heady growth projections for Mercury – C&W's fledgling rival to BT.

The commercial logic of the bid is far more important than its immediate financial impact. Whereas Racal would have provided C&W with a welcome injection of new management and marketing skills, TR almost certainly offers the last chance to buy a large customer base for Mercury's telecommunications business. In addition, it offers substantial engineering skills which will enable Mercury to compete head to head with BT. This is very important if the Mercury profit projections of £100m plus a year by the early 1990s are going to be met. BZW, for instance, believes that the TR acquisition could double Mercury's share of the major corporate market over the next four years.

TR's record over the last few years has been depressed by its need totally to remodernise its business, and its profits are starting to rise rapidly again. So C&W will probably have to pay more than 15 times next year's earnings to win the prize. Barring the appearance of an unknown foreign predator, C&W probably has the field to itself. But that does not mean that it can dictate the price.

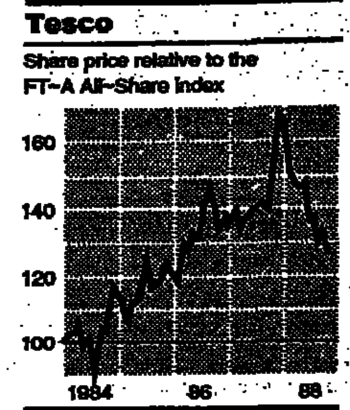
Sun Life

It may be just conceivable that someone apart from the Sun Life board and UAP would benefit from the deal to be considered at today's egm. But if so, Sun Life has certainly made little effort to prove it, and precious few of the group's institutional shareholders appear convinced. Stamping the deal with the revered numerals 1992 does not mean that the two companies' plans for European cooperation would prove either workable or wise. And it requires a significant leap of faith to believe that 15 per cent of an unquoted subsidiary of a nationalised French insurance company is worth the same as 18.2 per cent of Sun Life.

All that does not mean, of course, that the institutional shareholders – many of whom are in the same line of work as Sun Life – will not have an attack of occupational solidarity and support the Sun Life management. And the voting intentions of the largest shareholder, Mr Donald Gordon of Liberty Life, appear to have changed several times in the past week – a fact which may have had some bearing on the share price at a time when Mr Gordon was also in the market for Sun Life shares. On the face of it, it is difficult to see why shareholders should back a deal born of personal animosity more than commercial or financial logic. If they do, they will have only themselves to blame for allowing UAP a look-in to Sun Life on the cheap; and the shares could manage quite a lot of underperformance in the five years before UAP would even be allowed to contemplate a full bid.

Tesco

Share price relative to the FT-A All-Share Index



Tesco

The near 20 per cent relative fall in the supposedly defensive food retailing sector in the last six months may seem puzzling, but yesterday's results from Tesco suggest it is not illogical. The market is worried that saturation point is near for the grocery multiples, and the dwindling in Tesco's volume growth from 4 per cent to just 1.5 per cent can only encourage those fears. The 4p fall in the share price yesterday shows shareholders were not to be convinced by arguments that the fall was merely seasonal, nor soothed by the company's protestations about the scope for building ever more superstores.

Whatever the true reason for its sagging volumes, Tesco itself is not to blame. It has managed once again to widen its operating margins by 0.6 per cent even though underlying cost increases are running at well above inflation. Some might argue that further margin gains from opening more superstores and from Tesco's investment in depots, scanning, and computers mean that well above average earnings growth is guaranteed for the next couple of years; and in that case a p/e multiple of under 12 might seem low.

Tesco is apparently assuming that this positive view wins through. Its decision not to follow Next in providing for the put option on its unhappy Euro convertible bond is only justified if its shares rise by over 40 per per cent before 1992. As that looks touch and go, Tesco should surely take the conservative route at year end. After all, it can afford to do so: the provision would reduce pre-tax profits by barely 2 per cent, and would leave almost no mark on diluted earnings per share.

Macmillan

The Macmillan board could perhaps have been forgiven for agreeing a deal with Kohlberg Kravis Roberts which is being valued by Wall Street at only pennies more than Mr Robert Maxwell's $89 offer – more is more, after all, even if it is just a little. But the board's decision to preserve four of the choicest bits of the business for posterity must surely prove difficult to justify before a Delaware judge who is believed to find such shenanigans distinctly unamusing. Not even Mr Maxwell, whose ardour appears undiminished by yesterday's rebuff, can be expected to pay $89 a share for a group which is four businesses the poorer than when he made the offer.

With the help of the Delaware courts, the nickel and dime business of auctioning off Macmillan could begin again within a matter of weeks. However in the meantime, Mr Maxwell might improve his position with an offer which is clearly – and not just subjectively – more attractive than the KKR deal. Whether his shareholders would use the same adjective to describe a deal which was already providing double-digit dilution at $86.80 a share must remain in doubt.

UK backs call for chemical weapons talks

By Our UN Correspondent in New York

SIR GEOFFREY Howe, the British foreign secretary, yesterday added his support to US proposals for a conference on chemical weapons, joining the growing wave of international criticism of Iraq's refusal to allow an inquiry into allegations that it has used such weapons against its Kurdish minority.

In a wide-ranging speech to the UN General Assembly, Sir Geoffrey also spoke of the threat of ecological disaster, and urged the UN to direct its attention to the subject.

The need for an independent inquiry into charges that Iraq used chemical weapons against the Kurds was "evident", he said. Iraqi refusal to co-operate in this was "all the more to be deplored."

On Tuesday, the US House of Representatives overwhelmingly approved the imposition of sanctions against Iraq for its use of chemical weapons.

The Senate has already approved a separate package, and these will now be reconciled with each other to form a final bill.

Sir Geoffrey welcomed President Ronald Reagan's proposal in the UN on Monday that the 1925 Geneva Conference be reconvened to mobilise the international community behind a search for a convention outlawing chemical weapons.

"As more countries develop a chemical weapons capability, the risk of their increased use as an instrument of war and terror multiplies," Sir Geoffrey said.

On the Iran-Iraq ceasefire, he said Britain, apermanent member of the UN Security Council, would do all inits power to contribute to a peaceful settlement through the efforts of Mr Javier Perez de Cuellar, the secretary general.

Mr Perez de Cuellar is scheduled to resume talks with the foreign ministers of Iran and Iraq in New York on Saturday.

On the environment, Sir Geoffrey said recent natural disasters were a poignant reminder of the need to tackle the long-term issue of the health of the planet as a whole.

"The possibility of climatic change caused by the increase in the greenhouse gases leading to a global heat trap has become a real concern."

A problem of this magnitude could not be left to technical bodies and Britain was among those who had pressed for a serious debate on the subject within the UN.

"It is in the face of natural disaster that we are made most vividly aware of the fragility and interdependence of human existence. Faced with the enormity of the difficulties, the speed and universality of response is extraordinary."

On Tuesday Mr Eduard Shevardnadze, the Soviet Foreign Minister, delivered a speech touching on the same issues at the UN and Mrs Margaret Thatcher, the British Prime Minister, spoke on the environment at the Royal Society in London.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	27	81	Malta	S	26	79	Rhodes	S	26	79
Algiers	S	27	81	Edinburgh	F	12	54	Manchester	C	12	54	Rio de J'o	-	-	-
Amsterdam	C	16	61	Faro	S	29	84	Manila	C	32	90	Rome	F	29	84
Athens	F	28	82	Florence	S	25	77	Melbourne	C	17	63	Salzburg	S	24	75
Bahrain	F	36	97	Frankfurt	F	20	68	Mexico City	F	25	77	San Francisco	F	28	82
Bangkok	F	34	93	Funchal	F	24	75	Miami	C	29	85	Seoul	F	25	77
Barcelona	S	25	77	Geneva	C	22	72	Milan	S	25	77	Singapore	C	31	88
Beirut	F	31	88	Gibraltar	S	24	75	Montreal	C	19	66	Stockholm	R	15	59
Belfast	F	12	54	Glasgow	F	12	54	Moscow	F	12	54	Strasbourg	S	22	72
Belgrade	S	26	79	Guernsey	F	14	57	Munich	S	25	77	Sydney	F	25	77
Berlin	S	22	72	Helsinki	R	13	55	Nairobi	C	23	73	Taipei	C	26	79
Biarritz	S	27	81	H. Kong	F	28	82	Naples	S	24	75	Tangier	S	29	84
Bombay	R	25	77	Innsbruck	S	22	72	Nassau	F	30	86	Tel Aviv	F	29	84
Bordeaux	C	24	75	Inverness	F	13	55	New Delhi	F	32	90	Tenerife	S	27	81
Brussels	C	15	59	Islamabad	C	34	93	New York	F	23	74	Tokyo	R	20	68
Budapest	S	24	75	Istanbul	F	25	77	Nice	S	22	72	Toronto	C	26	79
B. Aires	C	18	64	Jakarta	R	33	91	Nicosia	F	33	91	Tunis	F	25	77
Cairo	F	34	93	Jersey	F	16	61	Oporto	S	25	77	Valencia	S	27	81
Cape Town	S	20	68	Jo'burg	F	24	75	Oslo	C	13	55	Venice	S	23	73
Caracas	C	26	79	Lima	C	18	65	Paris	C	23	73	Vienna	S	21	70
Casablanca	S	25	77	Lisbon	F	34	93	Peking	S	24	75	Warsaw	S	24	75
Chicago	R	27	81	London	C	16	61	Prague	S	25	77	Washington	S	15	59
Cologne	F	20	68	Los Angeles	F	24	75	Reykjavik	S	03	37	Zurich	S	21	70
Copenhagen	R	17	63	Luxembourg	C	15	59								
Corfu	S	28	82	Madrid	F	31	88								
Dallas	F	22	72	Majorca	S	25	77								
Dublin	F	12	54	Malaga	S	26	79								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Deutsche Bank buys stake

Continued from Page 1

Deutsche Bank has become increasingly active in the Australian dollar Eurobond market, launching deals both in its own name – with the paper placed with its retail customers – and for international borrowers.

The deal remains subject to approvals by the Australian Treasury, the Foreign Investment Review Board, the Stock Exchange and other regulatory authorities.

Kremlin calls urgent talks

Continued from Page 1

result of this in the Krasnoyarsk region.

Mr Gorbachev said last week that some officials were now asking for retirement, but implied there were still major upheavals under way.

"For some, this is a formidable drama," he said. "The people who retire are at odds with the new ways, or just feel they can't cope with new patterns. We mustn't be afraid of that."

ACCOUNTANCY COLUMN

Proposals on disclosure will win a mixed reaction

By Richard Waters

ACCOUNTING standards are looking more and more like disclosure standards: they tell companies what to reveal, rather than how to account.

That is understandable. It is relatively simple to argue that companies should show how much they spend on research and development or how assets acquired in a takeover have been valued in the new group accounts.

It is less easy to reach agreement on a consistent way of accounting for changing prices, or to restrict the way companies account for their takeovers. In its current debilitated state the Accounting Standards Committee has not the confidence, let alone the muscle, to solve such accounting problems.

Also, the financial community says it is more interested in fuller disclosure than more consistent accounting. Full information allows professional readers of accounts to make their own judgments about a company's track record and prospects.

It is no surprise that annual reports are getting longer and that readers spend more time analysing the small print in the notes than the large print in the profit and loss account.

To the proficient but casual reader it all looks like information overload. But this does not detract from the value of proposals for extra disclosure which are due to be published soon by the Accounting Standards Committee.

The new information will not add pages to annual reports, but it will tell some home truths about companies.

Not surprisingly, it will not be welcomed in all boardrooms. The subject: segmental reporting, or the way companies break down their figures by geographical or business area. Most large companies are involved in a range of activities internationally and it is the performance of each of these units that is vital to the whole.

More important than the fact that a group makes an overall profit of, say, £100m, is the fact that in one activity it made £200m while in another it lost £100m. Such information allows shareholders to ask the right questions of managers about the way their company is run.

The simple profit breakdown mentioned above is already required by UK company law. But there is much that neither the law nor the Stock Exchange's listings rules tackle (see table).

It is into this gap that the ASC is launching its own rules.

SEGMENTAL REPORTING REGULATIONS
INTERNATIONAL COMPARISON

	UK		US		Canada		Australia		IAS14	
	A	B	A	B	A	B	A	B	A	B
Turnover by source	★		★	★	★	★	★	★	★	
Turnover by destination		★		★		★				
Inter-segment sales			★	★	★	★	★	★	★	★
Basis of inter-segment pricing			★	★	★	★	★	★	★	★
Profit	★	★	★	★	★	★	★	★	★	★
Assets			★	★	★	★	★	★	★	★
Capital expenditure			★		★					
Depreciation			★		★					
Description of segments	★		★	★	★	★	★	★	★	★
Rules for determining reportable segments			★	★	★	★	★	★		

A = Analysis by class of business B = Analysis by geographical area ★ indicates the existence of regulations

Source: Financial Reporting 1987-88

They will introduce important changes. For instance, companies will be required to show the capital employed in each part of their operation, allowing readers to calculate the return on capital of a group's constituent businesses. That will be an advance for UK clearing banks, among others.

Geographical information will also be extended. Companies will be asked to show profits and capital employed in each area of the world, whereas at present they are only forced to reveal turnover.

However, the ability of companies to define sectors in whatever way they want partly blunts this. Of Hanson's UK sales last year of £4,626m almost three quarters came in one of its four segments — defined in notes to its accounts simply as "consumer."

Companies are not likely to give away much more for competitive reasons.

Small companies will be excused the extra disclosure. In line with current thinking that much financial reporting is simply extra work with little reward, the ASC will only require disclosure from public or large private companies.

★★★★

Segmental reporting may also be the real answer to an accounting issue which has brought forth much heated and unsound thinking: brand accounting.

The value of any asset depends on the stream of income it will generate in the future.

It follows from this that readers of accounts would prefer more information on the turnover or profits of particular brands, particularly if they account for a large portion of a company's sales or profits, to a catch-all valuation dreamt up by the directors to be included in the balance sheet.

Unfortunately, the proposed accounting standard will not tackle this subject.

Companies will continue to be able to pick whichever "segments" they want. This means that a brand can be hidden alongside other products. A successful soap powder, for instance, could appear as part of "consumer products" along with a shopping-basket full of other, unrelated goods.

The brand accounting debate continues to focus on the standard argument that if a company shows all its assets (including brands) in its balance sheet, the world will know what it is really worth.

There are good arguments for treating brands as assets, but this is not one of them.

Anyone wanting to find out what a company is worth is not going to spend long on the balance sheet.

This shows a collection of assets valued at historical cost, market value, or a depreciated version of either, depending on the nature of the asset and the optimism of the director (and perhaps the malleability of the auditor). Throwing a further figure into the pot to represent brands is not going to help much.

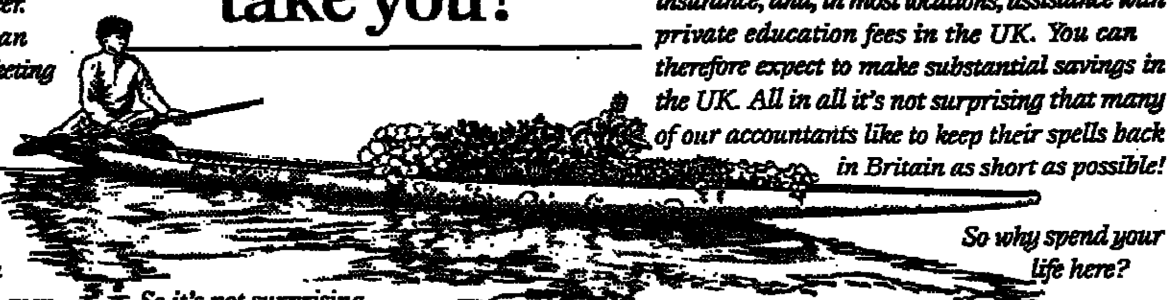
ACCOUNTANCY APPOINTMENTS

Accountancy Appointments also appear on page 11 and 27

Just how far can accountancy take you?

Latin America, Africa, Europe or the Far East...as a young graduate ACA or CIMA now working in industry, you may have considered a holiday in some of these places, but it's unlikely that you've ever thought that they might prove significant in the development of your career.

However, with British-American Tobacco Company Limited, the tobacco marketing and manufacturing wing of B.A.T Industries plc, you could become involved in financial management in any one of forty countries in which we have operating companies. While you gain international experience your career can also progress rapidly. We are looking for men and women, currently aged less than 28, with the potential to become a Financial Director at 35, and possibly a Managing Director at 40.



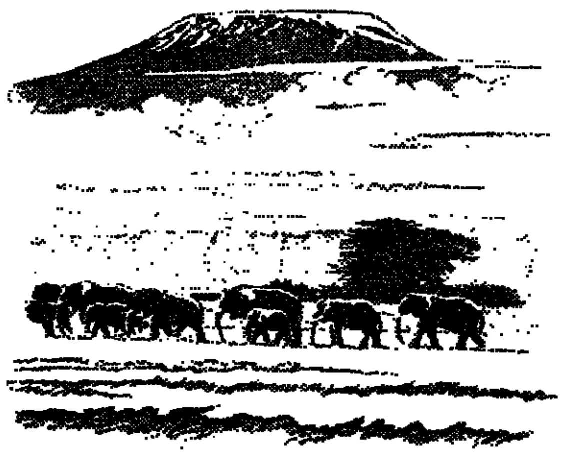
So it's not surprising that we will be looking for evidence of high intellectual ability, achievement, and professionalism in your career to date.

After a thorough induction in the UK your first posting, which will be for around 2 years, could be anywhere in our worldwide sphere of operations. Further postings will be planned, both in the UK and overseas, to enable you to broaden your experience and responsibilities. As you progress, you will be given all the development you need, including language training, to move into increasingly senior financial management positions.

Naturally there will be exotic settings and a varied lifestyle to be enjoyed in the process. As part of a salary package of up to £20,000 net, you will receive expatriate benefits including free furnished accommodation, medical insurance, and, in most locations, assistance with private education fees in the UK. You can therefore expect to make substantial savings in the UK. All in all it's not surprising that many of our accountants like to keep their spells back in Britain as short as possible!

So why spend your life here?

To receive further information and an application form, write to Geraldine Haley, British-American Tobacco Company Limited, 7 Millbank, London SW1P 3JE. Alternatively telephone 01-222 2610 (24 hour answering service).



B.A.T

S. G. Warburg Group plc

ASSISTANT COMPANY SECRETARY

City

An opportunity to join the Company Secretary's office of S. G. Warburg Group has arisen. The Group, one of the U.K.'s leading financial institutions, wishes to recruit an additional qualified Company Secretary to play a senior role in the many and varied responsibilities of the office.

The successful candidate must be able to communicate clearly and easily with senior management. The ability to assume responsibility quickly in a stimulating environment is important.

Career prospects are excellent.

Applications, enclosing a curriculum vitae, which will be treated in strict confidence, should be sent to:

Mrs A. J. Sprules,
Director,
S. G. Warburg Group Management Ltd,
1 Finsbury Avenue,
London EC2M 2PA

Superb Opportunities for Bright Accountants

Major US Investment Bank

c£24,000 + Banking Benefits

Our client, one of the largest and most innovative US Banking Groups, is offering exceptional opportunities for bright, ambitious professionals to make a career move into Investment Banking Operations.

Working with senior management you will undertake a variety of investigative projects and operations assignments, often on your own initiative. Your ability to manage people and provide innovative solutions to complex problems will be vital. Having gained a broad range of experience, you will then move into a line position within a specific treasury, equities or capital markets area.

Candidates aged 24-30, preferably ACAs, should display above average qualities in the following areas:
* Communication Skills — Oral and Written * Self Motivation * Technical Skills (preferably with some exposure to the financial sector) * Common Sense * Ability to Learn Quickly * Willingness to take on responsibility * Enthusiasm * Initiative *

Interested candidates should contact Suzie Mummé on 01-248 3653 (or 01-673 2549 evenings/weekends) or write, sending a detailed CV to the address below or use our confidential fax line on 01-248 2814. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ — BBM ASSOCIATES — Tel: 01-248 3653

CONSULTANTS IN RECRUITMENT

Appointments Advertising

Appears every Wednesday and Thursday
for further information
call 01-248 8000
Deirdre Venables ext 4177
Paul Maraviglia ext 4676
Elizabeth Rowan ext 3456
Patrick Williams ext 3694
Candida Raymond ext 3351

FINANCE DIRECTOR

S. Yorkshire — c £28,000 + Bonus + Car

Our client is an autonomous and expanding division of a major U.K. services sector company.

An ambitious Finance Director is required to take responsibility for all aspects of financial control and reporting, including the development of management information systems and to work closely with the management in ensuring the profitable growth of the company.

Candidates should be qualified accountants aged 28-35 with strong communication and leadership skills and a facility in developing computer-based systems.

Please reply in confidence with a comprehensive curriculum vitae including details of current earnings and a daytime telephone number to D. E. Shribman.

HUDSON SHRIBMAN
VERNON HOUSE SICILIAN AVENUE LONDON WC1A 2QH TEL: 01-831 2323

Finance Director

A main board role in an expanding group

c £36,000 + car + benefits
North London

This leading specialist printing and design group has a history of sustained growth and is now engaged in further expansion through acquisition, with plans for a USM flotation in the next two years.

Reporting to the Managing Director, a commercial and business minded Finance Director is now required to contribute to the profitable development of the business, and to ensure that this growth is supported by sound financial control. In addition to responsibility for the financial management of the group, the role will also incorporate company secretarial duties.

Candidates should be qualified accountants aged 30-45 years with experience in a senior financial role in a computerised environment. Familiarity with all aspects of UK accounting requirements and taxation is essential, and the successful applicant will have substantial experience of management reporting, budgeting and credit control. Also important are good communication skills, a lively personality, and the ability to deal with both board level issues and to take a 'shirt sleeves' approach when necessary.

Candidates should write in confidence, enclosing a full CV and details of current remuneration package, quoting reference MCS/3010 to:
Janet Stockton
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

CORPORATE FINANCE

c.£25,000 + Car — Newly Qualifed ACA — City

In the increasingly complex and sophisticated world of financial markets, our client is considered one of the UK's leading investment banking, securities and asset management groups.

Much of their success can be attributed to the outstanding reputation of their Corporate Finance division and expansion has now created the need to strengthen this dynamic team of young professionals.

The role on offer is extremely varied and you will quickly become involved in a wide range of activities from mergers, acquisitions and company flotations to management buyouts.

To meet the demands of this challenging role our client seeks a newly or recently qualified Chartered Accountant educated to degree level.

The successful applicant will also be presentable and show strong communication skills combined with the ability to deal confidently with a wide variety of clients.

In return you can expect a remuneration package that fully reflects the importance our client attaches to this position.

For a confidential discussion, please contact **Mary Ann Williams on 01-925 0878.** Alternatively send your CV to her at the address below.

HAMILTON PARTNERSHIP *executive division*
Dorland House 14-16 Regent Street London SW1Y 4PH. Tel: (01) 925 0878
SPECIALISTS IN FINANCIAL RECRUITMENT
A MEMBER OF THE TALISMAN GROUP OF COMPANIES

SENIOR ACCOUNTANT
—TREASURY—

c £20K+

A MAJOR CAREER OPPORTUNITY
SOUTH BUCKS

A dynamic and fast growing company within the graphic arts market, our client is a manufacturer of photographic papers for many of the world's leading suppliers. We are now seeking to strengthen their finance team through the appointment of an energetic young qualified professional (ACA or ACMA preferred).

Reporting directly to the Financial Director, you will play a key role in developing and refining the Company's Treasury policies within established guidelines, taking control of the following Treasury functions:

- ***Foreign Exchange Management***
- ***Cash Management***
- ***Banking***
- ***Capital Appraisal***
- ***Statutory Accounts***

Analytical, articulate and shrewd, you must have a positive, confident personality with the ability both to identify trends and opportunities and to communicate your conclusions effectively.

Probably aged in your mid to late 20's your career to date must include good commercial experience which underlines your growing strength in management accounting and financial forecasting. Exposure to Treasury and foreign exchange issues would be valuable.

For the right person there are real opportunities to progress within a strong and successful group. Benefits include 5 weeks' holiday, BUPA, contributory pension scheme, life assurance etc. Assistance with relocation will be offered if appropriate.

Please write in complete confidence with your c.v. or ring me for an informal discussion about the vacancy either in office hours on 08444 2033 or after 7p.m. on 024027 314.

Archie Buchanan, Buchanan & Partners Limited, Buchanan House, Church Square, Princes Risborough, Bucks HP17 9AQ

Buchanan & Partners
MANAGEMENT SELECTION

FINANCIAL MANAGER
Property/Design/ Antique Markets
£25-30K

An outstanding opportunity to administer the finances of a fast-growing creative empire based in Central London. The successful candidate is likely to be a confident, fully-qualified accountant, aged 28-45 with a good working knowledge of property management and construction. *CV's to Mariana at 13 Church Street London NW8 8DT.*

And you thought PE2 was a challenge..

Chief Accountant — c. £20,000 + car

When you've crossed the biggest hurdle, the last thing you want to do is slow down. At Nordic, you won't have to. Running a compact, efficient Finance department, you'll exercise considerable influence over the direction and planning of our commercial future, as well as taking charge of management and statutory accounts preparation and the production of detailed cash-flow projections.

We're a young, fast-growing, marketing-led company supplying high quality leisure and bathroom products — and enjoying an average rate of growth in excess of 30% per year. We see you as a bright achiever with energy, supervisory and computer skills, and a strong commercial sense. It's an important and challenging role whose scope will increase in line with continuing corporate growth.

Please telephone or write with full CV to: Stephen Bateman, Managing Director, Nordic Saunas, Fairview Industrial Estate, Holland Road, Hurst Green, Surrey. (0883) 716111.

NORDIC

GROUP MANAGEMENT ACCOUNTANT

Expanding International Group

London c£35,000 + bonus + car

Our client is one of the leading UK engineering and contracting groups operating through subsidiaries worldwide. Turnover is in excess of £2b and the Group is experiencing strong growth in turnover and profitability.

A Group Management Accountant is now required to join a small senior finance team at the centre. Responsibilities will encompass reviews of operating performance in UK and international companies, the monitoring of major capital expenditure proposals and involvement in a range of interesting ad hoc exercises. We are seeking an individual who will see this as an opportunity to actively develop a role which will involve senior management exposure throughout the Group.

Candidates should be graduate, qualified accountants. A post graduate business qualification would be an advantage. Post qualification experience should have been gained in a large industrial group, preferably in a "hands-on" role in an operating unit or division. Career prospects are excellent for a self-assured and well rounded individual and include the very real possibility of moving to a senior finance role in a major subsidiary.

Some international travel will be involved.

Please write in confidence, enclosing full career details, to Valerie Fairbank, quoting reference B8826.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

Financial Director

MANCHESTER POLYTECHNIC up to £35,000

With an expenditure budget of approximately £50 million and over 3,000 staff, Manchester Polytechnic is the largest institution of its kind. In April 1989 the Polytechnic will become an independent corporate body. The new position of Financial Director has been created to enable the Polytechnic to function efficiently and effectively in its new operating environment.

Reporting to the Director and a member of the small top management team, you will have full responsibility for the financial management of the Polytechnic. Your role will be varied and challenging.

Immediate priorities will be further to develop financial and management information systems and to ensure a smooth change is made from public to private sector accounting methods.

You will already hold a senior financial management position. Ideally if you are in the private sector at present you will have experience of academic or other public sector employment, and vice versa if you are in the public sector. Whatever your background you must have the ability to take your colleagues with you in the implementation of far reaching changes.

If you have the necessary vision, drive and professional expertise this position offers a unique career opportunity.

Please write enclosing your CV and daytime telephone number to Tony Potter, Ref 1881P, Coopers & Lybrand Executive Resourcing Limited, Albion Court, 5 Albion Place, Leeds LS1 6JP.

Executive Resourcing — Coopers & Lybrand

Opportunities for Leisure/Retail Financial Managers

Planning, Reporting and Analysis

West London/South Midlands to £30,000 + F.E. Car

Our client, operating in the leisure/retail sector (t/o circa £500m) is a major operating division of a large, acquisitive international group. The division is committed to a major four year business expansion programme by building on its existing strength and position in existing markets, and by exploring innovative business opportunities in new markets.

In line with the above strategy, a number of organisational changes are taking place, and at this time, within the finance function, the company has identified the need for two high calibre individuals. The immediate roles are key and will lead to excellent career opportunities in this fast expanding environment.

FINANCIAL ANALYSIS AND REPORTING MANAGER — WEST LONDON

Reporting to the Group Financial Controller, you will be responsible for controlling the reporting and business analysis of the division, and for providing financial advice to functional directors.

FINANCIAL ANALYSIS MANAGER — SOUTH MIDLANDS

As a member of the senior management team based at the division's accounting and information centre, and supported by a staff of ten, you will be responsible for financial planning and analysis, treasury and balance sheet analysis.

For both positions you are likely to be a graduate, qualified accountant, with at least three years' commercial experience during which time you will have gained knowledge of micro computer systems and staff supervision. In addition, you will be self-motivated, a good communicator, have sound judgement and possess the assertiveness and diplomatic skills to act as an effective challenge to operational management.

If you can meet the challenge that these highly visible career opportunities offer, please telephone Peter Flamminger on 01-491 3431, or write to him, enclosing a current resume and salary details to: FMS, 14 Cork Street, London W1X 1PE. (Fax No. 01-491 4985).

F M S
Search and Selection Specialists for Financial Management

Financial Director

Madeira Island
EEC Career Opportunity

Blandy Brothers is a long established and well known British Family Group centred in Madeira with operations in the UK, Spain and Portugal.

The Financial Director will report to the Chief Executive, Portugal and work closely with the Group Financial Director, both resident in Madeira.

The successful applicant will:
- be responsible for the quality, integrity and development of the financial reporting and controls of all the operations on the island.
- be required to contribute to strategic planning, business objectives and investment decisions ...
- need to demonstrate the experience and the capacity to handle a range of diversified activities at different stages of development including: Reids Hotel – (member of the Leading Hotels of the World), Travel, Shipping and Lloyds Agents, Madeira wine and Property development.
- ideally have some fluency in Portuguese, but Spanish or the proven ability to learn languages will be seriously considered.

This position is ideal for a versatile and progressive financial executive in possession of a major accounting qualification, looking for challenge, the opportunity to obtain experience within the EEC and longer term employment including career prospects.

The package offers a high standard of living, excellent benefits and all the savings opportunities associated with an overseas appointment whilst working in Europe. Madeira is a Garden Island and offers a special quality of life.

There will be an opportunity for the preferred applicant (and spouse) to visit the island, prior to employment offer.

Interested candidates should write in confidence to Hamish I Davidson enclosing a full CV and current salary, quoting reference MCS/4005. Alternatively contact him on 01-378 7200.

Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

Young Financial Supervisor

Initiate Ideas and Make an Impact

Make a significant contribution to a successful company poised for a period of considerable activity, in several dimensions, which will impact on the finance function.

Responsible for both financial and management accounting and the further development of sophisticated finance systems, you will supervise a staff of two within a young, enthusiastic and high calibre team.

Ideally an ACA, you have around one year's post qualification experience in financial accounting and an aptitude for systems development. Additionally, you are bright, energetic and capable of reflecting the imaginative approach and shrewd commercial flair for which this firmly established oil company is renowned.

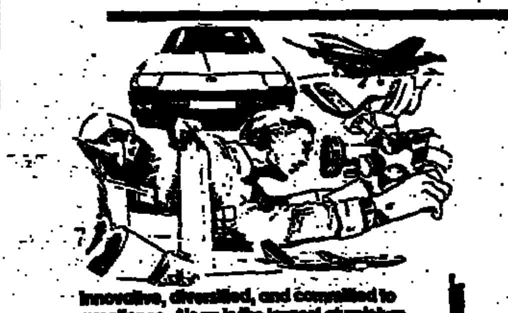
Based in London, you will command a negotiable, competitive salary with company benefits including a generous share participation scheme. You will also enjoy a positive environment which provides a high degree of autonomy.

In complete confidence, please ring or write with CV to:-
Sue Jagger, Simpson Crowden Consultants Limited, Specialists in Executive Search & Selection, 97-99 Park Street, London W1Y 3HA. Telephone: 01-629 5909 (Fax ext 138).

Simpson Crowden
CONSULTANTS

FINANCIAL CONTROLLER

C£23,000 + CAR



Innovative, diversified, and committed to excellence, Alcan is the largest aluminium company in the world, operating in a wide range of materials technologies. At our Banbury Laboratories we aim to provide Alcan with generic technologies which will supply a continuing array of new products and processes capable of sustaining growth over a long period.

BANBURY LABORATORIES

Shaping the future ALCAN

A SPECIAL OPPORTUNITY IN AN ADVANCED R & D ENVIRONMENT

Backed by the largest aluminium company in the world, Alcan International is a dynamic force in advanced materials research and development. Our success is based on the ability to gain maximum commercial benefit from our activities. Nowhere is this more evident than here at the superbly equipped Banbury Laboratory. Currently employing some 230 staff, with a multi-million budget.

To maintain and develop our competitive edge a requirement has arisen for a high calibre qualified accountant to take control of the finance function. The successful applicant will report, administratively to the Laboratory Manager and be a key member of his senior management team, and functionally to the Divisional Controller, Alcan International Limited, Montreal. In addition to finance the duties will include financial planning and treasury activities and responsibility for the Purchasing and Payroll functions, with overall responsibility for nine staff.

Candidates will need to be highly motivated with excellent organisational and inter personal skills with a recognised accountancy qualification and several years relevant experience in an industrial or R & D environment. On offer is a highly competitive salary, company car and a wide range of company benefits which include a life assurance and pension scheme, flexible working hours, 25 days annual holiday and a generous relocation package where applicable. The position is also part of the Financial Skill Group of our UK associated Company.

If you enjoy working as part of a dedicated, multi-disciplinary team and are looking for a new challenge with excellent opportunities to develop your career, please write with a full C.V. or telephone for an application form quoting the reference 221 to:

Chris Sparkes, Alcan International Limited, Banbury Laboratories, Banbury, Oxon OX16 7SP
Telephone: Banbury (0295) 62821

Financial Director

WILTSHIRE, PACKAGE C.£40,000 + CAR

This is a successful, well established manufacturing company that is market leader in its sector. Part of a major European Group, the company has experienced substantial, highly profitable growth in recent years and turnover currently exceeds £60 million. The opportunity has now arisen for a young Financial Director with a high level of commercial awareness to assist in leading the company to future success.

Reporting to the Managing Director, you will have responsibility for the finance, company secretarial and information systems functions and will lead a sizeable team. You will play an active part in strategic and business planning activities and will ensure that the company's advanced systems are driven forward to maintain competitive edge.

Aged over 30 and a qualified accountant, you will have at least two years' experience in manufacturing industry, a good knowledge of computerised systems and be accustomed to working in a results oriented company. You should possess strong management skills and the desire to work in a commercial role that could potentially lead into general management.

Please send CVs, quoting Ref: JW 406 and including a day time telephone number to Janice Walden, Coopers & Lybrand Executive Resourcing Limited, 66 Queen Square, Bristol BS1 4JP. Tel: 0272 292791. Fax: 0272 307008.

Executive Resourcing — Coopers & Lybrand

Financial Controller -designate

City

Package to £40,000

Our client is a long established specialised insurance group seeking to appoint a fully qualified accountant to work with and succeed the present head of their finance and accounting function.

As well as group accounting in dollars and sterling the post has responsibility for monitoring substantial investments and for the early introduction of computerised accounts and information systems.

The *successful candidate should not only have a background of* computerised accounting, preferably in financial services, but also a sound knowledge of computer systems and experience in the insurance industry will be of considerable help. A personal approach that links innovation with the style of a City institution will be sought from applicants who will probably be in their early forties.

Please write, quoting reference 1555 and enclosing a full CV, daytime telephone contact and details of current earnings, to Trevor Austin, Executive Recruitment Division.

BDO BINDER HAMLYN
BDO Binder Hamlyn Management Consultants,
8 St Bride Street, London EC4A 4DA.

ALPS
ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LTD
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3576 Telex No. 887374

A key position – scope to become Finance Director in 3-12 months and to become Managing Director in the U.K. or overseas in 4-5 years.

FINANCE DIRECTOR – DESIGNATE

LONDON £45,000-£60,000

MAJOR BRITISH SHIPPING AND TRANSPORT PART OF AN INTERNATIONAL GROUP

We invite applications from candidates, aged 37-45, who have acquired a minimum of 10 years' commercial financial experience and at least 3 years' either as the Financial Director or as the number 2. Responsibilities are widely drawn and cover taking a significant role in all business decisions, financial planning, cash management, tax planning, acquisitions, capital equipment acquisitions and disposals etc. Some overseas travel will be necessary. The ability to play a key role in forming the further profitable *expansion of the company is important. Initial salary negotiable, £45,000.– £60,000* + car, contributory pension, free B.U.P.A., assistance with removal expenses if necessary. Applications in strict confidence under reference FDD166/FT, to the Managing Director: ALPS.

ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.

FINANCIAL CONTROLLER

INSURANCE BROKING

City — from £30,000 + car + benefits

Our client is a major international insurance broker, with an impressive record of success and profitability. It operates through offices in the UK, Europe, North America and Australasia.

A Financial Controller is now required to assume responsibility for financial and management accounting, credit control, treasury management and control of IBA ledgers. This key role within the financial management team reports to the UK Finance Director and requires the ability to work effectively under pressure and to prioritise a wide range of tasks.

Candidates should be chartered accountants with a minimum of five years' post qualification experience, excellent inter-personal skills and a confident but personable disposition. Previous insurance accounting experience is essential.

The remuneration package, which is negotiable, will include an executive car and an attractive range of benefits.

Our client will have sight of all applications and candidates should, therefore, indicate any organisations they do not wish to consider.

Please write in confidence, enclosing full career details, to Hilary Douglas, quoting reference M7234.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

A move towards senior management

Ambitious Accountant

Surrey — c£23,000 + Car

Our client, one of the UK's leading exporters, is a highly successful, well established subsidiary of a diversified multinational group. Their success is based on a fast, flexible response to changes in market conditions and the ability to anticipate the trends of a dynamic market place.

New exciting plans exist for the next development phase. An exceptional opportunity to play a major role in this development has been created for a high calibre, ambitious, qualified accountant from a manufacturing environment.

Excellent interpersonal, technical and analytical skills are also a prerequisite.

Based at the headquarters in North Surrey you will play a major part in rationalising the finance areas of the three manufacturing sites which together have a turnover of £200m. Having carried out strategic reviews and capital project appraisals you will implement changes to achieve the efficiency essential in this highly competitive industry.

The position is regarded as a first rate training ground for future Senior Management. Career prospects are excellent and the company will not recruit an individual without the clear potential to achieve this status.

Candidates interested in this exciting challenge should contact Kristin White BA ACA on (0372) 375661 or write to her at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG.

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Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
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GROUP TREASURER

Basingstoke — c.£35,000 + Car + Benefits

Wiggins Teape is a leading European manufacturer and merchant of fine and speciality paper and in 1987 had a turnover in excess of £1 billion. There are manufacturing facilities in U.K., Belgium, Spain, France, Italy and West Germany and as a market leader, the company has a strong record of investment and growth. It is a wholly owned subsidiary of B.A.T Industries, one of the world's largest industrial enterprises.

We are seeking to appoint a Group Treasurer to provide strong support to the Board and Senior Executives. With the complex international trading structure of the Group and the major impact that exchange rate movements have on profitability, this is a key role in the future development of the organisation.

Reporting to the Group Finance Director, the Group Treasurer will be responsible for further developing the existing central function with a staff of 12 and for co-ordinating the significant Group operations in Continental Europe. Responsibilities will include developing the Group's banking relationships, managing the overall debt position, funding investments and acquisitions as well as managing currency exposure and exchange dealing in some 20 currencies.

Aged between 30 and 40 you must be professionally qualified and will have extensive experience of treasury management gained in a large international commercial organisation. You must have had exposure to handling overseas subsidiaries.

The attractive remuneration package includes car, non-contributory pension, B.U.P.A. and assistance with removal expenses where necessary. Future career development could include a move within the wider B.A.T Industries Group.

If you feel that you have the necessary skills and experience to undertake this challenging role please write with your C.V. to Mr. R. J. Kendal, Group Recruitment Manager,

Wiggins Teape Group Limited,
P.O. Box 88, Gateway House, Basing View, Basingstoke,
Hampshire RG21 2EE. Telephone: (0256) 842020.

WIGGINS TEAPE

MERCHANT BANK
£24-26,000 package

CIMA/ACA MANAGEMENT ACCOUNTANT Age 23-30. Highly computerised reporting-constantly update systems-staff responsibility. Please enquire for fuller details.

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Director of Finance

Outstanding career opportunity in Healthcare

c£34,000 plus bonus

Nottingham Health Authority provides the full range of healthcare services to a population of around 620,000. Turnover is in excess of £160,000 million a year, plus a significant annual capital spend.

Recent changes in strategic approach have committed the Authority to developing services on the lines of best commercial practice, management style and financial reporting. The resultant fast moving, innovative and changing environment offers a major challenge for an outstanding financial manager. As Director of Finance he/she will play the key role in strategic financial planning, in the re-development of financial information systems and in motivating a finance division of approximately 130 staff.

Applicants must be qualified accountants preferably in the age range 35-50. Previous Health Authority experience is not necessary, providing that they can demonstrate successful experience at functional and strategic levels in large or complex organisations. The post demands strategic thinking, leadership and self motivation qualities as well as expert technical skills, a strong desire to innovate and the commitment to support high standards of patient care.

Applicants should write in confidence giving brief career details, age and current salary quoting reference MCS/2040 to Peter Talbot,
Price Waterhouse
Management Consultants
Victoria House
76 Milton Street
Nottingham NG1 3QY

Price Waterhouse

Accounting Manager Italy

Base: Rome — **Salary: Lit. Neg.**

A major US health care corporation with global revenues in excess of US$ 8 billion is restructuring it's Italian manufacturing operation in line with it's continuing strategy for growth in Europe.

An Accounting Manager is now required to take responsibility for upgrading the management accounting system, it's reporting functions and related projects. The individual must possess the drive and determination to develop within this expanding organisation.

This senior position, reporting directly to the Operations Controller, demands someone with fluency in Italian and English, a business or accounting qualification and a minimum of 3 years cost accounting experience combined with proven management skills. An excellent salary package will reward the successful candidate.

Interested candidates should contact **Rod Bailey on 01-256 5611** **(01-600 0101 as from 1.10.88)** or write to him at: **Rochester Ltd, 10th Floor, Garrard House, 31-45 Gresham Street, London EC2V 7DN** quoting ref. BR1904.

Interviews will be held in London by arrangement and in Rome on 21st/24th October.

ROCHESTER
International Search & Selection

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LEISURE AND TRAVEL INDUSTRY

Assistant to Group Financial Controller

CRAWLEY
SALARY £24-26,000 NEG + CAR + BENEFITS

Rapid progress and development has resulted in the INTERNATIONAL LEISURE GROUP LTD becoming a major force in the exciting and highly competitive and travel industry. Our Group has experienced strong growth as a result of creative management, continual product innovation and effective management control.

As a result of internal promotion, we now require a chartered accountant with up to two years post qualification experience. The candidate would work as a member of a young, dynamic head office team with a high level of exposure to senior management. The work would cover all aspects of the Group Finance function but with specific emphasis on external reporting and project work and less emphasis on monthly management reporting. The role involves a substantial element of tax planning and compliance. Accordingly, the candidate should preferably have had greater than average exposure to tax work during their career. The post is seen as being an introduction to our business leading to a more commercially oriented management position.

To accept this challenge you must be in your mid twenties, ambitious, highly numerate and have first class communication kills. In return we will reward the right person with an attractive remuneration package.

Write, enclosing full CV, to:
Colin Habgood
Group Financial Controller
The Galleria, Station Road, Crawley, West Sussex, RH10 1HY

INTERNATIONAL LEISURE GROUP LTD

Director Of Finance And Accounting

Speciality Chemical Manufacturers

North West
c £30,000, Package, Car

This is a real opportunity to make a significant contribution to the continuing success of a highly profitable, £30 million turnover subsidiary of a major US Group. The company's products are sold to a range of industries particularly related to the electronics field and their reputation as a market leader and technical innovator is well established. Reporting directly to the UK Managing Director and functionally to the Vice President European Operations, the prime responsibilities include the control of the UK and European Companies finance functions to ensure their financial procedures and reporting comply with the US parent company requirements. There is particular emphasis on strong financial controls and foreign currency dealings.

Candidates, aged 35 plus, will be qualified accountants with good management skills, commercial awareness as well as being exceptional financial practitioners and have at least 3 years experience as a senior Finance Executive in a well established manufacturing company. Experience of US procedures is essential and exposure to European accounting conventions an advantage. An attractive package is offered plus relocation assistance.

Mrs. J. Cull, Ref: M16038/FT. Male or female candidates should telephone in confidence for a Personal History Form, 061-832 3500, Hoggett Bowers plc, St. James's Court, 30 Brown Street, MANCHESTER, M2 2JF.

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A MEMBER OF BLUE ARROW PLC

OPERATIONS CONSULTANT

c.£25,000 + Car
C. London

This substantial and diverse multinational requires a young MBA to be responsible for the review of all major aspects of the businesses, in the UK, France and Benelux. The Operations Consultant will analyse areas of risk and exposure, advise on appropriate cost effective control to departments and subsidiaries, report on proposed major investments and provide advice, technical support and training in operations review. Candidates will be MBA's, aged 27-32, with four years experience in finance, marketing or a trading function.

GROUP ANALYST

£25,000 + Car
C. London

This substantial and highly entrepreneurial quoted Service Group requires a young Accountant for a trouble shooting role. As part of a small Head Office team working at Board level, you will be responsible for the provision of strategic business information, the identification of key problems and issues, as well as pre and post acquisition work. The successful candidate will be a newly qualified graduate Accountant (ACA/ACCA/ACMA) with strong analytical and interpersonal skills.

Please apply directly to Richard Carter at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 01-836 3545, evenings 0344 885911.

ROBERT HALF
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GROUP CHIEF ACCOUNTANT

EARLY TO MID 20's. £22,000 + CAR
TOILETRIES/COSMETICS
LOCATION WEST LONDON

Our client is a highly successful FMCG manufacturer and distributor with subsidiaries in Clwyd, Gwent and the Netherlands. Total group turnover is approx. £8 million and climbing fast.

If appointed, you will be responsible to the Financial Director (as unblinkered as, we hope, you are) for the entire accounting and financial control functions of the group. The position requires a hands-on approach to ensure that the systems develop and produce the information required to enable the business to continue its rapid growth.

In addition to the ongoing development and implementation of improved accounting systems, you will be responsible for the preparation of all management and financial accounting information, including budgets, cash flows and statutory accounts. You will also carry the responsibility for group cash management and tax compliance.

Ideally, you should be in your mid 20's, a qualified ACA or ACMA, with experience of medium to large company systems. It is essential that you are familiar with computerised accounting packages, in addition to Lotus 123. Other qualities should include flexibility, logical thinking and strong interpersonal skills.

If you believe you qualify and want a well rewarded, challenging training ground with unlimited opportunity, write or telephone.

Mary Overton Recruitment Ltd
35 Piccadilly, London W1V 9PB
Telephone 01-734 7282

Financial Director

London NW3 — early 30's — to £35,000 + car

This is a new appointment to a UK-based organisation which provides a unique concept of professional services to corporate and individual clients with international interests, through a network of subsidiary offices and associates. The operation, having established a high reputation and an expanding, prestigious client base, is now well-placed to embark on a programme of significant growth. The group not only makes proposals for corporate structuring and fiscal guidance but also provides clients, through its overseas offices, with facilities and advice to ensure the sustained effectiveness of the initial recommendations. The Financial Director will be responsible to the founder/proprietor for managing and extending these resources, for providing clients with financial reporting services and for contributing to the strategic development of the organisation. The role is therefore unusually varied, provides some opportunity for overseas travel, and calls for a self-motivated Chartered Accountant who is looking for a genuinely entrepreneurial opportunity. Ref: 1670/FT. Write or telephone for an application form or send full details (with a day-time telephone number and current salary) to R.A. Phillips, ACIS, FCII, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours), Fax: 01-349 3668.

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To find out all there is to know about being a successful Management Consultant, send full personal and career details (including daytime telephone number) to Stephen Mitchell, quoting reference 3126/FT on both envelope and letter. Alternatively, our fax number is 01-236 2367. Please state your preferred location — London, Birmingham, or Manchester.

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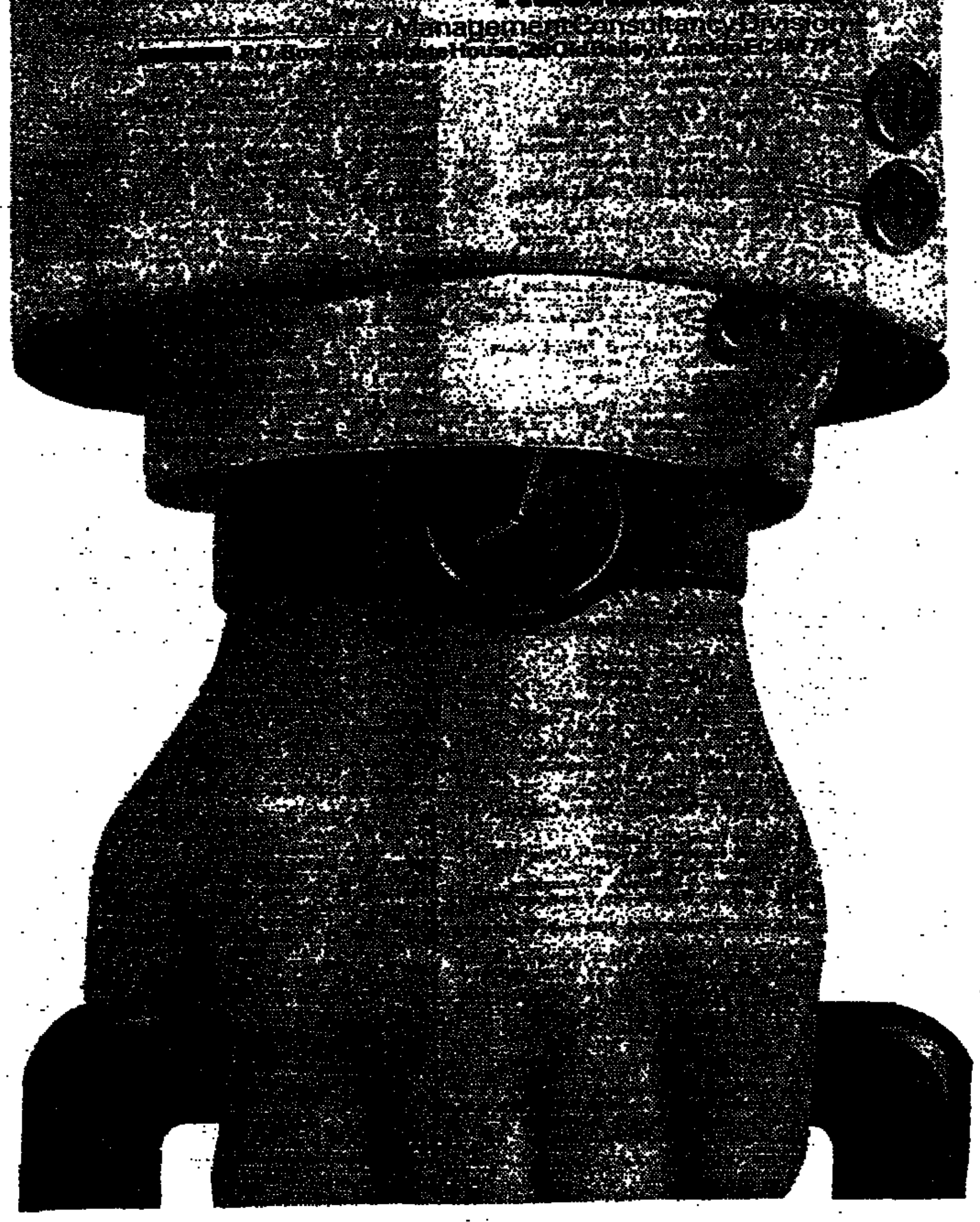

GROUP FINANCIAL DIRECTOR

West Kent
£35,000 + Car + Benefits

Our client is a profitable and expanding manufacturing group whose products are used in the cosmetic, pharmaceutical and allied industries.

Reporting to the Joint Managing Directors, the Financial Director will be responsible for all aspects of finance, information technology and administration within the holding company and its subsidiaries. Key initial objectives will be a detailed analysis of the group's costing procedures and further development of existing information systems.

The applicant, who should be a qualified accountant aged 30-40, will have to show a record of achievement in manufacturing and will have gained the broad commercial experience demanded by this senior position. Drive, enthusiasm, good communication skills and the ability to contribute to the decision making process are all essential requirements.

Please apply in writing, giving full career and current salary details to Peter Kaye, F.C.A.,

Rooke Holt
83 Ebury Street, London SW1 9QY

NATIONAL FINANCE DIRECTORS EXHIBITION

28 Sept - 30 Sept

Visit the Financial Times stand, No 6, at the National Finance Directors Exhibition, The Business Design Centre, Islington N1.

FINANCIAL TIMES
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RIVER CLYDE HOLDINGS plc FINANCIAL CONTROLLER

c. £23,000 p.a. plus car and bonus

River Clyde Holdings plc is the holding company of an independent group of underwriting agencies which act as managing and members agents at Lloyd's.

Due to recent growth generated internally and by acquisition, and plans for further expansion, the corporate accounting and treasury functions are now very important to the continued success of the business.

The position of Financial Controller is a new appointment and will be responsible for all aspects of the day-to-day accounting and treasury functions, as well as the preparation of management and statutory accounts.

Applicants should be qualified accountants aged between 24 and 27 with good communication skills and a sound understanding of computerised accounting systems. A knowledge of insurance is not essential, but there will be the opportunity to become involved with syndicate accounting.

Please write in confidence enclosing a full Curriculum Vitae to:-

Elizabeth Woodham, River Clyde Holdings plc, 5 Devonshire Square, Cutlers Gardens, London EC2M 4YD

CHIEF FINANCE OFFICER

c.£50,000 + car + benefits

Our client is a well established London-based insurance group with a major office in the provinces.

The responsibilities of the post will include the co-ordination of all aspects of financial management for the group, ensuring that information is readily available to management and that controls are effective. In addition, this person will be responding to special situations as they arise and conducting ad-hoc investigations in pursuit of the group's stated intention to expand.

Candidates are likely to be qualified chartered accountants aged between 35 and 45. Experience of the insurance industry or financial services sector is desirable but not essential for an outstanding candidate with the right personal qualities.

In addition to technical ability, the position requires someone with a positive and realistic approach to achieving results; having highly developed communication and interpersonal skills; and a flexible attitude to meet changing circumstances.

Please send career and personal details quoting reference F/589/E to Denis Evans.

E&W Ernst & Whinney
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Becket House, 1 Lambeth Palace Road, London SE1 7EU.

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The Mall Galleries, based near Admiralty Arch SW1, represents an ideal venue for the major career event of the year for finalists, newly and recently qualified Accountants.

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Sumitomo Finance International is the principal capital markets subsidiary of The Sumitomo Bank, Limited, one of the world's leading commercial banks. Founded in 1973, it is a broadly based securities house active in all sectors of the international capital market.

A rare opportunity has arisen for a graduate Chartered Accountant of outstanding ability to assume immediate control of the financial accounting function and responsibility for the management accounting function within 12 months upon promotion to Assistant Manager. You will initially be responsible for 4 staff.

You will also be expected to make a strong contribution in your first year to the documentation, review and evaluation of existing systems based on an IBM S/38 mainframe.

The ability to develop a rapid understanding of the business and grasp the complexities of accounting for such areas as Swaps is looked for. There will be close contact with senior Management.

Candidates should have qualified with one of the "big 8" firms, have a first time pass record and be aged 24-27. Strong organisational skills and an outgoing personality are essential requirements.

Future prospects are excellent for involvement in related areas such as compliance and company administration.

Interested applicants should write to Mrs. Fiona Williams, Personnel Officer, at Sumitomo Finance International, 107 Cheapside, London, EC2V 6DT enclosing a comprehensive C.V. Alternatively if you would like to discuss the position in more detail prior to applying you should contact J.M. Graham, Executive Director & Chief Accountant on 01-606 3001

DELTA plc
Financial Accountant

At the Head Office of Delta (an international Group - turnover £500m+), we are seeking to recruit a newly qualified accountant to work as part of the team reporting to the Group Treasurer. The position will involve the preparation of information for both management and statutory reporting requirements for the Group, development of computer systems and non-routine projects as required.

An attractive salary package is offered.

Please apply with full career and personal details to:
The Group Treasurer & Chief Accountant,
Delta plc, 1 Kingsway, London WC2B 6XF.

The Institute of Chartered Accountants in England and Wales

Results of Professional Examination II held in July 1988

List of Successful Candidates

A

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Antrobus P. D. (Arthur Andersen & Co), London
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Armstrong M. J. (Dodd & Co.), Carlisle
Armstrong N. R. (Ernst & Whinney), London
Arnold S. J. (Ernst & Whinney), London
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Atherton N. G. (Peat Marwick McLintock), Sheffield
Atkins P. L. (Ernst & Whinney), London
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Atwell Thomas C. (Price Waterhouse), Cardiff
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B

Baccanello M. (Price Waterhouse), London
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Brewster R. D. (Price Waterhouse), Windsor, Berks
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Brown A. G. (Peat Marwick McLintock), Brighton, E.Sussex
Brown C. S. (Hays Allan), London
Brown D. J. (Waite McGrory & Co), Farnham, Surrey
Brown D. E. (Haines Watts), London
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Brown D. J. (Price Waterhouse), London
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Brown P. A. (Coopers & Lybrand), EdinburghBrown S. H. (Arthur Andersen & Co), London
Brown S. J. (Coopers & Lybrand), London
Brownlow I. M. (F.W. Stephens & Co.), London
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Bucknall C. R. (Coopers & Lybrand), Birmingham
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C

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Dickinson R. (Grant Thornton), London
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Dillon C. V. (Farmiloes), Birmingham
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Donoghue R. (Peat Marwick McLintock), Manchester
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Drennan R. G. (Morris Crocker), Portsmouth
Driscoll S. P. A. (Finnie & Co.), London
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Dukes S. (Ernst & Whinney), London
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Duncan G. J. W. (Moores & Rowland), Reading
Dungate I. J. (Arthur Young), Bristol
Dunmow D. A. (Pilkingtons), Chelmsford
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Durkin H. (Deloitte Haskins & Sells), Nottingham
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Eastwood P. M. (Price Waterhouse), London
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Egan A. T. (Peat Marwick McLintock), Sheffield
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Evans J. P. (Peat Marwick McLintock), Reading
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Evans J. G. (Bevan & Buckland), Swansea
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Harding T. (Peat Marwick McLintock), Bristol
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Hargreaves S. J. (Spicer & Oppenheim), London
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Harris G. A. (Grant Thornton), Reading
Harris I. L. (Newman, Harris & Co), London
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Harris M. J. R. (Price Waterhouse), London
Harris R. A. (Pannell Kerr Forster), Worcester
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Hart J. R. (Price Waterhouse), Windsor, Berks
Hartey P. J. (Coopers & Lybrand), Manchester
Hartley E. A. (Peat Marwick McLintock), Keighley, W.Yorkshire
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Harvey A. L. (Peat Marwick McLintock), London
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I, J

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Kidwell J. R. d V. (Price Waterhouse), London
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King S. J. (Peat Marwick McLintock), London
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Klein L. (Ernst & Whinney), London
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Knight P. E. (Deloitte Haskins & Sells), Cardiff
Knott P. R. A. (Touche Ross & Co.), London
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Knowles H. S. K. (Arthur Andersen & Co), London
Kon W. (Arthur Young), London
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L

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Lake J. A. (Deloitte Haskins & Sells), Nottingham
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Lambert A. P. (Grant Thornton), Bradford, W.Yorkshire
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Lamont C. (Binder Hamlyn), London
Landgraf S. M. (Baker Tilly), London
Lane N. K. (Coopers & Lybrand), London
Lang R. J. (Peat Marwick McLintock), Cardiff
Langley D. T. (Clark Whitehill), Reading
Lanigan P. N. (Price Waterhouse), Manchester
Larkham R. J. (Binder Hamlyn), Manchester
Larnder D. J. (Arthur Young), London
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Law P. D. (Binder Hamlyn), Newcastle Upon Tyne
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Lawrence D. R. (Price Waterhouse), Newcastle Upon Tyne
Lawrence G. (Price Waterhouse), Newcastle Upon Tyne
Lawrence P. (Grant Thornton), High Wycombe, Bucks
Lawrence S. D. (Coopers & Lybrand), Birmingham
Layzell E. F. (Saffery Champness), London
Leacy S. (Ernst & Whinney), Bristol
Lediard A. C. (Arthur Andersen & Co), Leeds
Lee E. B. (Price Waterhouse), London
Lee F. K. S. (Ernst & Whinney), Ipswich
Leech G. C. (Peat Marwick McLintock), London
Le-Faye N. C. (Peat Marwick McLintock), London
Le Fleming D. J. (Ernst & Whinney), London
Leggate C. (Deloitte Haskins & Sells), Southampton
Leigh S. W. (Coopers & Lybrand), Edinburgh
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Leighton-Young A. B. (Morison Stoneham), London
Leiper D. A. (Moore Stephens), London
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Levitt J. A. (Wilson, de Zouche & Mackenzie), Liverpool
Levy J. I. (Stoy Hayward), London
Lewis G. A. (Peat Marwick McLintock), Norwich
Lewis K. M. (Rigby Harrison & Co), Redditch, Worcs
Lewis M. C. (Deloitte Haskins & Sells), London
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Linnard S. E. L. (Peat Marwick McLintock), Cardiff
Linstone S. P. (Longcrofts), London
Lintott T. M. (Kidsons), Hove, E.Sussex
Little S. J. (Peat Marwick McLintock), Birmingham
Liu H. H. (Peters Graves & Co), Berkhamsted, Herts
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Munson E. A. (Stoy Hayward), London
Murray J. M. (Coopers & Lybrand), London
Murray S. N. (Whittaker & Co), Luton
Musry A. P. D. (Peat Marwick McLintock), London

N

Naik H. R. (Wagner & Partners), London
Narbeth C. N. (Arthur Andersen & Co), London
Naylor A. C. (Arthur Young), Manchester
Naylor E. G. (Touche Ross & Co.), London
Neal A. C. (Newby, Castleman & Co), Leicester
Neil C. (Armstrong Watson & Co), Carlisle
Neill P. (Wallwork, Nelson & Johnson), Preston

CONTINUED ON PAGE VII

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Newman P. J. (Touche Ross & Co.), Leeds
Newton D. C. (Little(Geo.), Sebire & Co), Harpenden, Herts
Newton D. I. (Price Waterhouse), Leeds
Newton D. R. N. (Peat Marwick McLintock), London
Newton M. A. (Deloitte Haskins & Sells), Leeds
Newton P. M. (Peat Marwick McLintock), Manchester
Newton Taylor P. S. (Coopers & Lybrand), Maidstone, Kent
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Niblock S. (Peat Marwick McLintock), London
Nichol S. P. (Spicer & Oppenheim), Manchester
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Nicholls S. J. (Price Waterhouse), Bristol
Nicholson D. P. (Binder Hamlyn), London
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O

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O'Brien P. G. (Arthur Young), Liverpool
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Sheridan S. J. (Spicer & Oppenheim), Croydon
Shone C. N. (Binder Hamlyn), London
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Smart S. J. (Price Waterhouse), London

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Thompson M. H. (Peat Marwick McLintock), London
Thompson S. G. (Peat Marwick McLintock), Birmingham
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Turnbull J. R. (Spicer & Oppenheim), London
Turner C. P. (Peat Marwick McLintock), London
Turner C. S. G. (Arthur Young), London
Turner J. P. (Ernst & Whinney), London
Turner I. R. (Touche Ross & Co.), Liverpool
Turner J. C. (Coopers & Lybrand), Birmingham
Turner P. A. E. (Grant Thornton), Plymouth
Tweddle I. M. (Arthur Young), Newcastle Upon Tyne
Tye C. A. (Deloitte Haskins & Sells), Manchester
Tyler N. R. (Price Waterhouse), London

V

Van Roe R. I. (Ernst & Whinney), Norwich
Varley P. (Bowser Bullock), London
Varley W. J. (Peat Marwick McLintock), London
Vaughan R. I. (Keelings), London
Veasey L. J. (Peat Marwick McLintock), London
Vickers C. I. (Grant Thornton), Brighton, E.Sussex
Vincent J. P. (Solomon Hare), Bristol
Virdee C. (Sheffield, Rawlins), London
Vis E. A. (Ernst & Whinney), London
Volen N. M. (Stockers), London
Volling A. M. (Arthur Andersen & Co), London

W

Wadey N. A. (Peat Marwick McLintock), London
Wain A. L. (R.W. Allott & Co), Rotherham, S.Yorkshire
Walby A. V. (Arthur Young), London
Walford A. M. (Price Waterhouse), Birmingham
Walker A. C. (Price Waterhouse), London
Walker A. D. (Deloitte Haskins & Sells), Bristol
Walker A. P. (Peat Marwick McLintock), London
Walker G. J. M. (Peat Marwick McLintock), Sheffield
Walker M. H. (Price Waterhouse), Manchester
Walker M. G. (Fiander Tovell & Co), Southampton
Walker N. P. (Neville Russell), London
Walker P. D. (Arthur Young), Luton
Walkington S. G. (Touche Ross & Co.), Leeds
Wall J. (Stoy Hayward), London
Wall J. A. (Price Waterhouse), London
Wall R. W. C. (Deloitte Haskins & Sells), Cambridge
Wall S. J. (Touche Ross & Co.), London
Wallwork S. (Bishop Fleming), Torquay
Walsh J. A. M. (W.J. Calder Sons & Co.), London
Walsham A. S. (Deloitte Haskins & Sells), London
Walton A. J. S. (Haines Watts), High Wycombe, Bucks
Walton M. A. (Price Waterhouse), Leeds
Walton S. R. M. (Touche Ross & Co.), London
Walton T. P. (Ridgway-Alexander), Shrewsbury
Warburton M. (Heskeths), Wilmslow, Cheshire
Ward G. H. (Coopers & Lybrand), Sheffield
Ward R. G. (Price Waterhouse), London
Warner P. J. (Spicer & Oppenheim), Birmingham
Warnock A. (Pannell Kerr Forster), Lincoln
Warrender N. R. (Ernst & Whinney), London

Waterfall S. C. (Ernst & Whinney), London
Waterman M. T. (Ernst & Whinney), London
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Watson I. M. (Touche Ross & Co.), London
Watson R. P. (Cansdale & Co), Chesham, Bucks
Watson S. R. H. (Coopers & Lybrand), Birmingham
Watts G. W. (Coopers & Lybrand), Bristol
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Wearmouth H. F. (Binder Hamlyn), London
Weatherall J. R. (Nash Broad), London
Weaver J. R. (Peat Marwick McLintock), Swansea
Webster M. E. J. (Spicer & Oppenheim), London
Welch P. D. (Touche Ross & Co.), London
Wetton D. E. L. (Arthur Young), Birmingham
Wharton N. B. E. (Robson Rhodes), Birmingham
Wheeler J. G. (Touche Ross & Co.), London
White C. J. (Hodgson Impey), London
White J. C. (Dixon Wilson), London
White S. J. (Peat Marwick McLintock), London
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Whitehead A. P. (Price Waterhouse), London
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Wilkinson G. (Peat Marwick McLintock), Leicester
Wilkinson A. (Hodgson Impey), Hull
Wilkinson R. J. (Peat Marwick McLintock), Preston
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Wilkinson S. A. L. (Blythens), Nottingham
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Wood K. T. (Peat Marwick McLintock), London
Wood M. R. (Stoy Hayward), London
Wood S. C. (Clement Keys & Co), West Bromwich, W. Midlands
Woodall C. J. (Deloitte Haskins & Sells), London
Woodburn P. (Wallwork, Nelson & Johnson), Preston
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Woodman J. C. (Victor Booorman & Co), Brighton, E.Sussex
Woods M. L. (Binder Hamlyn), Leeds
Woodward A. P. (Arthur Andersen & Co), London
Woodward E. H. (R.J. Weston & Co), Derby
Woolf E. (Deloitte Haskins & Sells), Jersey, Channel Islands
Woolley A. M. (Price Waterhouse), London
Woolley D. J. (Shipley Blackburn), London
Worthington J. N. S. (Moore Stephens), London
Wright D. G. (Coopers & Lybrand), London
Wright J. (Arthur Andersen & Co), Reading
Wright J. M. (Peat Marwick McLintock), Reading
Wright S. (Barnett & Turner), Mansfield, Notts
Wright S. J. B. (Binder Hamlyn), London
Wyatt M. M. (Arthur Andersen & Co), London
Wykes L. S. J. (Peat Marwick McLintock), London
Wynn M. D. (Touche Ross & Co.), Bristol

Y

Yap K. O. (Ernst & Whinney), London
Yates S. B. (Hogg, Bullimore & Co), London
Yeldon E. A. (Arthur Andersen & Co), London
Yen C. (Ernst & Whinney), London
Yeo S. C. (Coopers & Lybrand), London
Yeoh R. C. S. (Deloitte Haskins & Sells), London
Yoo J. (Arthur Young), London
Young A. M. (Grant Thornton), Leicester
Young G. J. (Deloitte Haskins & Sells), Reading
Young M. P. (Chantrey Vellacott), Birmingham
Young M. S. (Hacker Young), London
Young P. J. (Arthur Young), London
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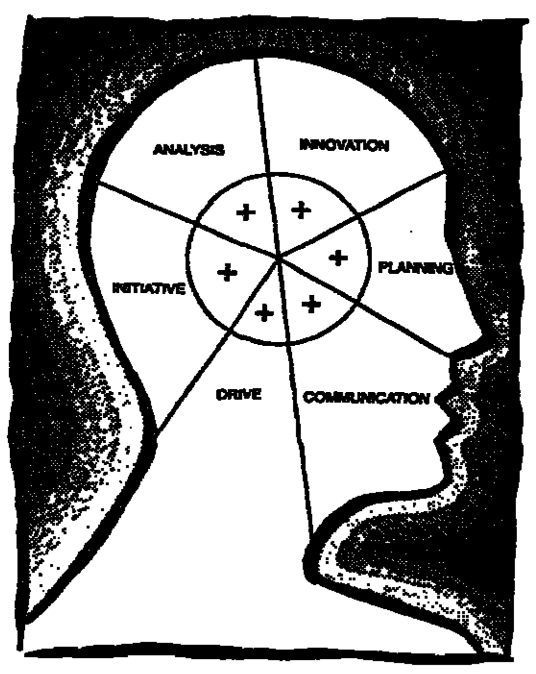

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FINANCIAL TIMES
COMPANIES & MARKETS
Thursday September 29 1988

INSIDE

SmithKline takes some tough medicine

Faced with severe hospital spending cuts over the last five years, the corporate health of SmithKline Beckman has been endangered as sales of its leading drugs have plummeted. The US pharmaceutical group, reluctant to divest itself of any divisions, hoped to silence its critics with a huge reorganisation plan this week. But these moves to build defences against hostile takeovers may not have gone far enough. Page 17

Western Australia Inc open for business

The Western Australian Development Corporation is one of that rare breed that straddles the private and public sectors. It has evolved into a sort of entrepreneurial arm of the Labor Government, generating profits and dividends for the state through property management and, most notably, its launch of the Australian Nugget gold coin. Now the corporation is setting its sights on the world insurance market and even tourism. Chris Sherwell looks at part of what is sometimes disapprovingly referred to as "WA Inc." Page 19

Fresh controversy at Lonrho

Lonrho, the international trading group headed by Mr Tiny Rowland, never seems to be far from controversy. The latest dispute is over movements in the Lonrho share price after directors publicly pondered on the asset value of the group, and the possibility of a management buy-out, without using the official stock market channels of communication. David Waller examines the issues at stake. Page 25

Reynolds forges new look

Reynolds Metals, the second largest US aluminium group, is forging a new European profile largely under the direction of Bill Bourke, chairman and chief executive. "We were competing against ourselves in Europe. We did not present a unified front. We came across as lots of squeaky voices, not one loud one." The wide-ranging changes that he has implemented are now beginning to bear fruit. Page 19

Move to cool Taiwan's ardour

Taiwan's stockbrokers return to work today after a three-day holiday and the surprise weekend move by Ms Shirley Kuo, Finance Minister, to impose a capital gains tax on stock market profits. Their mood is expected to be angry. But the Government is still hoping that the volatile behaviour of the market can be curbed and investment ardour cooled. Not all analysts, however, are convinced that this is possible. Page 46

Tin men try to find heart

Next month's meeting of the Association of Tin Producing Countries in the Nigerian capital of Abuja is expected to be faced with the difficult dilemma of reconciling acceptable export levels that satisfy the increased production capacity of producers while sustaining the steady price recovery of the commodity. While the tin industry is showing an optimism unthinkable three years ago, there is a real danger of oversupply. Page 42

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Falls				Rises			
Mannesmann	171.5	-	4.4	Doupose	596	+	56
Bayer Ver.	348	-	8.5	Soreg	539	+	57
Bayer Hypo.	356	-	8	Alsthom	375	+	21
Schering	533	-	11.5	Sple-Batig	430	+	26
NEW YORK ($)				**TOKYO (Yen)**			
Rises				Rises			
MS Data	21¼	+	2⅛	Kikagawa Inc	885	+	100
Pioneer Bngs.	6⅞	+	1⅛	Kyowa Daiwa	1210	+	120
Time Inc	108⅞	+	2⅛	Dai-Tokyo Ins	1110	+	50
Falls				Yamaichi Sec	1750	+	140
Doctor	23⅞	-	1⅛	Falls			
Genentech	17⅛	-	1⅛	Fujitec	1050	-	80
MGM-UA	12⅛	-	1⅛	Mitsui Bank	2130	-	130
LONDON (Pence)							
Rises							
Allied-Lyons	464	+	15	Nat. Telecom	140	+	9
Bass	753	+	18	Muir (James)	240	+	8
Candover Inv.	420	+	20	Pearson	765	+	9
Cosalt	553	+	12	Plessey	227	+	14
Cons Gold Flds	1313½	+	76	Reed Int.	417½	+	14½
Fobel Gp.	86	+	8	Rentokil	218	+	10
Frith (G.M.)	96	+	7	Reuters B	613	+	18
Gent (S.R.)	73	+	7	Tele. Rentals	335	+	124
Hepworth M.	215	+	38	Falls			
ICI	1101½	+	15	MSS	43	-	12
Lonrho	347	+	10	Laidlaw Thomson	[illegible]		
Marlin	123	+	20	[illegible]	112	-	8
Morgan Grenfell	281	+	11	Next	177	-	5

Fiat increases profits by 21% to L2,202bn

By John Wyles in Rome

ITALY'S Fiat Group maintained steadily rising profits in the first half of the year with a 21 per cent increase in consolidated pre-tax profits on sales of L22,686bn ($16.2bn), 14.3 per cent above the same period last year.

The boom in the European car market has once again powered the diversified group to record first-half profits which, before tax, rose by L382bn to L2,202bn. As 9.7 per cent of sales, this performance was 0.5 percentage points better than last year's first six months and considerably higher than the 8.3 per cent recorded in all of 1987.

Investments fell slightly by L148bn to L1,172bn, but research and development spending rose by L120bn to L720bn. The group's financial position continued to strengthen from a net indebtedness at the end of last June of L424bn to a surplus of L1,294bn.

For the first time for several years, the company's statement yesterday drew attention to rising labour costs – due to indexed pay rises, last year's national engineering pay deal and the recent company-level agreement which Fiat says will cost L250bn this year.

Despite its presence in more than 15 different sectors, Fiat Auto continues to dominate the group's activities, accounting for nearly 60 per cent of sales. In the first six months, Fiat sold 1.105m vehicles, which yielded a 13.2 per cent increase in sales to L13,500bn and a rising share of the European car market, from 15.2 per cent in the first half of last year to 15.8 per cent.

Its 60 per cent share of the Italian market has been maintained. Shares in Britain, France, West Germany, Spain, Switzerland and Portugal have all risen.

Industrial vehicle sales rose by 18.4 per cent to L3,800bn after a 21 per cent increase in production to 66,800 units. Tractors and earth-moving machinery registered increases of 12 per cent and 5 per cent, respectively. Elsewhere, the vehicle components companies raised their sales by 24 per cent to L1,744bn.

Fiat's civil engineering subsidiaries boosted sales by 33.1 per cent to L322bn, and its railway systems activities, which the group is ready to cede to the public sector, increased sales by 63 per cent sales to L147bn. The only sales setbacks were production systems (-3.8 per cent) and Snia BPD (-5 per cent).

Maxwell challenges Macmillan poison pill

By Roderick Oram and Raymond Snoddy

MR ROBERT Maxwell, the British publisher, yesterday launched a legal action in the US courts to try to regain the upper hand in his increasing bitter battle for Macmillan, the New York publishing house.

He gained support from a group of investors led by Mr Robert Bass, a wealthy Texan, which had opened the bidding for Macmillan with a $64 a share offer in June. The group subsequently dropped out but it still holds 9.5 per cent of Macmillan stock.

The Bass group told a Delaware court that it wanted to tender its shares to Mr Maxwell, believing his $89 a share offer was the best on the table, according to one of Mr Maxwell's New York financial advisers. The group asked the court if it could join Mr Maxwell's suit against Macmillan.

At the initial private hearing in the Delaware court, Macmillan's legal domicile, Maxwell Communication Corporation renewed its attack on Macmillan's poison-pill provision and said it intended to take action against a "crown jewels" lock-up agreement with Kohlberg Kravis Roberts (KKR).

On Tuesday, Macmillan accepted a cash and paper takeover offer from KKR which was slightly higher than Mr Maxwell's cash offer.

Under the lock-up provision, KKR has the right to buy four key businesses in the Macmillan group if its takeover offer fails.

Technically the only Maxwell offer now on the table is an earlier $86.60 bid.

The final $89 offer was dependent on Macmillan agreeing to a merger.

An increased bid for Macmillan has clearly not been ruled out while litigation continues.

Analysts believe the KKR offer was worth at most only a few cents more than Mr Maxwell's offer of $89 a share cash. Macmillan accepted KKR's offer of $82.05 cash and securities which KKR's advisers said were worth around $8 a share. The Street valued them, however, at around $7. Its shares slipped $⅛ to $88⅞ yesterday morning.

Lex, Page 16

Donald Gordon (left) gets ready for a showdown as he prepares a list of questions to put to Peter Grant (right), chairman of Sun Life

Irresistible force meets the immovable object

Today's Sun Life EGM will begin in a mood of confrontation. Nick Bunker reports

FEW MEN have had as long a grounding in the life assurance business as Mr Donald Gordon, the hard-headed accountant who leads South Africa's most dynamic life insurer, Liberty Life. Few are as deeply ingrained with the deal-making culture of London's merchant banking community as Mr Peter Grant, his opponent in the public battle expected in the City today over the future of the UK's Sun Life Assurance.

The confrontation between Mr Grant, Sun Life's chairman, and Mr Gordon, its biggest shareholder, has strained close to breaking point the British insurance establishment's traditional ability to keep its corporate politics firmly behind closed doors.

They may emerge fully into the open today at a Sun Life extraordinary general meeting when Mr Gordon is expected to challenge the terms of Mr Grant's long-awaited plan to take Sun Life into Europe via an alliance with France's huge state-owned insurer, UAP.

At that meeting, the attitude of other British insurers, with about 14 per cent of Sun Life's shares, will be crucial, since Mr Grant requires only a simple majority to have his way.

The aim of the deal, says Mr Grant, is to allow Sun Life to reap benefits from the liberalisation of European insurance markets expected in the run-up to 1992. Accompanied by a £62m ($104m) rights issue, the deal will give UAP 18.2 per cent of Sun Life, which will receive bonds convertible into 15 per cent of a UAP subsidiary, UAP International.

It also represents a manifestation of Mr Grant's determination to prevent Mr Gordon from dominating the company's affairs with the use of the 28.4 per cent stake in Sun Life held by Liberty Life's UK investment vehicle, TransAtlantic Holdings.

But three things, perhaps dangerously for a life company entrusted with £5.8bn of people's savings, have become entangled in the drama.

The least edifying is the personal animosity between the two men. Mr Grant points to what he calls "a campaign of disinformation" by Mr Gordon, whose South African career was based on skilled marketing of innovative unit-linked life assurance products in the 1960s. He is openly dismissive of the claim that all TransAtlantic wants is what Mr Gordon calls "a core strategic investment in Sun Life," rather than effective control.

Mr Gordon, in turn, does not hide his opinion that Mr Grant knows little about insurance. Mr Grant's tremulous Wykehamist voice and slight 58-year-old frame hide an iron will and a statesmanlike awareness of Sun Life's place in the British insurance field, according to his supporters, but Mr Gordon sees it as obstinacy, politely terming Mr Grant "a very naughty fellow."

It is Mr Gordon though, cast by Mr Grant in the role of the predatory bogeyman, who commands deeper respect from the UK's insurance establishment. When Mr Gordon first acquired a 9.6 per cent holding in Sun Life in 1980, he already had behind him a 20-year career as the driving force of Liberty Life.

But what the personality clash has concealed are two more fundamental issues. The first – amid all the sound and fury over the way 1992 could reshape European insurance – is the question of what really is the best way for UK insurers to respond: by takeover, by joint ventures, or by building in Europe from scratch.

The best way to grow, Mr Gordon argues, is by the hard graft of building a sales force from scratch. "There are no short cuts to 1992. You just have to roll up your sleeves and get down to work," he says.

The second question is whether this particular deal is structured to subvert shareholder democracy at Sun Life: Mr Gordon believes it is, since UAP proposes to agree not to vote its shares contrary to Sun Life's board, giving Mr Grant a stranglehold over decision-making.

On the first point, profound scepticism is voiced by independent observers in London about the commercial benefits of a Sun Life-UAP link in southern Europe, where Mr Grant says Sun Life will use UAP's existing distribution channels in Spain and Italy. Like Mr Gordon, they argue that Sun Life will be paying far too much for a non-controlling stake in what amounts to an unlisted subsidiary of a nationalised French company.

"It's all very dubious," says Mr David Hudson, insurance analyst with Barclays de Zoete Wedd. "Everybody's talking about joint ventures but the more we look at it the more we wonder whether there are synergies in a partnership between insurance companies."

Sun Life's planned joint ventures could take a decade – if ever – to produce distributable returns on the £50m Sun Life says it will invest in European operations.

One question mark hangs over the viability of UAP's existing operations in Italy and Spain as vehicles for selling new products developed by Sun Life.

Tom Bennett, of London's Morgan Grenfell Securities calculates that on a very optimistic assumption of 10 years of 30 per cent per annum life business growth in Italy and Spain, distributable profits would reach only £5.8m for Sun Life in 1998.

The issue of shareholder democracy is best symbolised by the curious deal announced last week in which Maison Compagnie de Lazard, UAP's adviser, has agreed if asked to acquire the 7.5 per cent stake in Sun Life held by Groupe AG, previously seen as a potential bidder. Mr Grant hints cryptically at obscure Franco-Belgian financial politics: "AG have battles to fight in Flanders," he says.

What bothers some fund managers, impatient with all the intrigue, is that decisions about Sun Life, and the other people's money it controls, appear destined to be cobbled together in Parisian salons over the next five years between powerful interests – Sun Life's current board, UAP, Groupe AG and Mr Gordon – without much scope for shareholder democracy.

"We've had to live with one bogeyman, Donny Gordon," says the chief investment manager of one of the UK's six biggest pension funds, who plans to vote against Mr Grant today. "Now we're going to have several bogeymen. Everybody's getting something out of this except the poor old ordinary shareholders."

Lex, Page 32

Swiss Bank denies information leak on bid for Gold Fields

By Kenneth Gooding in London

SWISS BANK Corporation revealed yesterday that it was taking part in the financing of Minorco's hotly contested £2.9bn ($4.9bn) bid for Consolidated Gold Fields. It also confirmed its London stockbroking subsidiary, Savory Milln, dealt heavily in Gold Fields' shares and options in the period leading up the announcement of Minorco's offer.

There have been demands for a UK Government investigation into possible insider dealing in Gold Fields' shares ahead of the bid. However, Swiss Bank insisted last night it was not involved in any leak of information: "We are sure our Chinese Walls procedures (designed to keep sensitive information confined to only one part of a financial institution) worked satisfactorily throughout the period."

Swiss Bank said it had kept the regulatory authorities, that is the Bank of England, the London Stock Exchange and the Securities Association, informed of its situation in the Gold Fields bid.

The signs were yesterday that the Stock Exchange was satisfied with Swiss Bank's explanation. Apparently there was a tight-knit team involved in the finance arrangements and Savory Milln dealt only with established institutional clients.

Gold Fields estimates that options on 8.2m of its shares, or nearly 4 per cent of the issued capital, were bought in the three days before the bid announcement.

Lord Young, the UK Industry Secretary, in a letter to Mr Rudolph Agnew, Gold Fields' chairman, yesterday acknowledged there has been public concern about the dealings.

Mr Agnew had suggested that the unusually high volume, particularly in options, warranted an investigation by Department of Trade inspectors.

Lord Young pointed out that such investigations normally started at the Stock Exchange but invited the company to meet his department's officials.

Gold Fields' share price was given a boost in late trading yesterday by more rumours from South Africa which suggested Minorco was to increase its offer to £14.50 a share and make it an all-cash bid.

The Gold Fields price responded by moving up by £⅝ to £13⅛, roughly in line with the value of Minorco's current offer.

Minorco would not give any details of the financial institutions involved in providing the cash part of its offer, totalling more than £900m.

"There is nothing sinister in this. We believe this should all come out in the formal offer document," a Minorco official explained.

C & W launches £283m bid

By Philip Coggan in London

CABLE & WIRELESS, the international telecommunications group, yesterday launched a £283m ($482m) bid for Telephone Rentals, the second largest distributor of telecommunications equipment in the UK.

The bid was rejected as "wholly inadequate" by the board of Telephone Rentals last night, which advised shareholders not to sell their shares.

Mr Gordon Owen, joint managing director of C & W, said that the group had been looking at Telephone Rentals for two years but had been waiting for Mercury, the group's telephone network subsidiary, to reach the right stage of development.

Mercury is the only UK competitor of British Telecom in the field of mainstream telephone services. Although Mercury's turnover is now running at an annualised rate of around £100m, its business remains tiny compared with British Telecom's.

The main business of Telephone Rentals is the installation and maintenance of PABXs, the telephone management systems used particularly in office switchboards. BT also dominates this market and a takeover would allow Mercury to use Telephone Rentals' 800-strong army of service engineers to sell its products.

One part of Telephone Rentals that C & W does not want is the South African subsidiary. C & W has strong business contacts with the Caribbean which it does not want to upset.

Telephone Rentals, under the chairmanship of Sir Charles Ball, is expected to fight hard against the offer. Last year, its pre-tax profits increased 14 per cent to £19.6m on turnover of £106m and Mr Gus Moore, the group's managing director, said yesterday the company was a "strong, independent-minded business".

Telephone Rentals' shares closed at 335p yesterday, 124p higher on the day and 30p above the C & W cash offer of 305p per share. That indicates that the market expects either a rival bid or a higher offer from C & W. Cable & Wireless shares closed up 2p yesterday at 387p.

INTERNATIONAL COMPANIES AND FINANCE

Montedison offers $271m for Ausimont minorities

By Alan Friedman in Milan

MONTEDISON, the Italian chemicals company controlled by Mr Raul Gardini's Ferruzzi group, is planning to offer $271m to buy out minority shareholders of Ausimont, a Wall Street quoted speciality chemicals subsidiary.

The Montedison offer, which is being made at yesterday's New York Stock Exchange share price of $33.50 a share, is for the 27.3 per cent of Ausimont not owned directly by its Italian parent, which amounts to 8.08m common shares.

The plan to take 100 per cent control of Ausimont comes just five months after Morgan Stanley was asked by Montedison to evaluate the break-up value of the company, which had 1987 net profits of L70.8bn ($50.6m) on total turnover of L857.3bn. Morgan Stanley came up with a value of more than $750m. Last month, Ausimont sold two of its carpet tile manufacturing businesses in the US, raising $150m.

Mr Howard Harris, the American managing director of Ausimont, said last night that given Montedison's overall debt reduction in recent months there was no immediate plan for "any further significant asset sales by Ausimont."

Ausimont now consists of three main business areas; its Montefluos speciality fluorinated chemicals company, its *Ausimont* US holdings which include the former fluorinated chemicals activities of Allied Signal, and Dutral, the synthetic rubbers manufacturer.

Dutral is likely to be transferred to the new joint venture between Montedison and Enichem, the Italian state chemicals group.

The other two businesses will probably be incorporated into what remains of Montedison after the Enichem deal. Ausimont, which is based in the Netherlands, also has a joint-venture business with Asahi Glass of Japan.

Nortel chief confirms nine-month profits slip

By Robert Gibbens in Montreal

MR EDMOND Fitzgerald, chairman of Northern Telecom, has confirmed analysts' forecasts that earnings for the nine months ending October 31 would be slightly lower than a year earlier.

But he told a US analysts group that revenues, profits and margins would show an improvement for the full 1988 year.

In 1987, Nortel, the international telecommunications equipment producer controlled by BCE, Canada's largest holding company, earned US$347.2m or $1.39 a share on revenues of $4.9bn.

Some analysts have forecast a levelling out in Nortel's growth in the next two years and pressure on earnings.

Mr Fitzgerald said a shift in the pattern of the company's second-half performance was continuing, and this year the trend was towards a "very strong" fourth quarter, offsetting a weaker than expected third quarter.

Earnings for the first nine months will be a few cents a share below the 82 cents a share reported for the 1987 period.

Nortel is stepping up investment in marketing worldwide and in strategic research, in an attempt to bolster its future growth.

But programmes to ensure that market development and research spending were truly productive were already showing results, Mr Fitzgerald said.

Ailing SmithKline builds defences

Deborah Hargreaves on a desperate reshape at the US drugs group

This week's broad restructuring plan outlined by SmithKline Beckman marks a desperate attempt by the US pharmaceuticals group to improve its competitive position before it falls prey to a hostile takeover bid.

However, Wall Street was less than impressed with the drug corporation's plans to save $100m a year by a consolidation of its pharmaceuticals business. It believes the company will have to go further if it wants to remain independent.

Mr Jonathan Gelles, an analyst at Wertheim Schroder in New York, says: "We expect the core drug business to continue to be poor in the next year, with the company forced to sell off an asset or face a bid."

SmithKline has been under pressure to improve its operations since sales for its leading drugs have plummeted, with a corresponding drop in profits this year. But the company has been reluctant to divest any of its divisions, although its break-up value is estimated to be double the current market value of about $46 a share.

The restructuring plan, which involves the sale of a 17 per cent stake in its Beckman *medical instruments unit*, goes as far as the company is currently willing to on divestiture.

Beckman has faced a tough market in the last five years as hospitals have cut back on their spending. The division has not really performed as well as SmithKline had hoped since its purchase for $1bn in 1981.

But Mr Gelles believes the sale of the Beckman stake does little to reduce SmithKline's vulnerability to a takeover and that the company might be forced to go even further. The sale of the full Beckman unit would remove only 10 per cent of the company's assets.

At a press conference *announcing the restructuring*, Mr Henry Wendt, SmithKline chairman, was enigmatic about any further spin-off of assets. He said he would like to focus more on Allergan, the eyecare division, which has revenues of about $700m a year but he would not specify whether he was grooming it for sale.

"The sale to the public of a minority interest in Beckman is one way of enhancing value for our shareholders. We will continue to evaluate additional and similar steps to enhance shareholder value," he said.

SmithKline has made a determined effort to highlight its other businesses – which include an animal health care unit and clinical laboratory services – particularly since its drug operation has fallen from favour on Wall Street.

However, although these businesses are doing well the *company's growth has* been primarily fuelled in the last 10 years by soaring sales of Tagamet, a drug used for treating stomach ulcers.

At one time the world's largest selling drug, Tagamet has recently seen its market share eroded by intense competition from rivals.

Mr Gelles expects the drug's sales to drop below the $1bn mark this year, from $1.2bn last year, while its principal rival, Glaxo's Zantac, has boosted sales to an estimated $2bn this year. At the same time, Dyazide, SmithKline's diuretic drug, has seen its sales plunge.

SmithKline's weakness has been its inability to follow through the success of these two drugs. Analysts don't expect the company to be launching new products until the 1990s and have criticised the company's research and development division for its apparent disorganisation.

However, Mr Wendt is confident the re-organisation of the company's global pharmaceuticals business will put an emphasis on new drug development. The company stresses its heavy investment in research and says it has a good products in the pipeline.

The restructuring plan unifies SmithKline's three pharmaceuticals units – domestic, international and research and development – under one organisation. This will help eliminate "substantial excess capacity" around the world, *including the closure of* a 40-year-old manufacturing plant near Philadelphia and the consolidation of several European *facilities*.

The consolidated pharmaceuticals division will be led by Mr John Chappell, who is currently president of the international drug unit. Mr Chappell is the sole remaining pharmaceuticals division head, after the recent departures of Mr Jim Cavanaugh at the *domestic* drug unit and Dr Stanley Crooke as head of research and development.

The re-organisation plan would cut about 1,600 jobs from the company's 41,000 workforce, slashing corporate staff by 60 per cent and would result in a one-time charge to this year's earnings of between $375m and $400m.

Mr Wendt predicts earnings will drop to between $3.75 and $4.00 a share even before the charge. Last year, the company earned $570.1m or $4.50 a share *on sales of* $4.33bn.

In the long run, the re-organisation plan should save the company $100m a year and have a favourable effect on next year's first-quarter income, Mr Wendt predicts.

But Mr Gelles says: "This is just a saving on operating costs which could restrict growth and will not reduce the company's vulnerability to a takeover." He believes SmithKline should take itself private in a leveraged buyout, or buy another drug company which would provide cost-saving synergies.

The *general feeling* on Wall Street is that unless it goes even further than its current plans for restructuring, the company could be forced into a more drastic re-organisation by a hostile bid.

Warner merger 'to go ahead'

By Roderick Oram in New York

WARNER Communications and Lorimar Telepictures said yesterday that, in spite of an court ruling, they intend proceeding with a $630m merger which would make them the largest US producer of television programmes.

They will appeal a ruling by a New York state court that their merger, agreed in May, violated a 1984 shareholder agreement between Warner and Chris-Craft Industries. It is the latest row in a stormy five-year relationship between Mr Steven Ross and Mr Herbert Siegel, respectively chief executives of Warner and Chris-Craft.

When Warner attracted a takeover offer from Mr Rupert Murdoch, the international publisher, Chris-Craft became its white knight and took a 19 per cent stake in January 1984. Warner, in exchange, took 42.5 per cent of Chris-Craft's BHC broadcasting subsidiary.

Messers Ross and Siegel fell out quickly and have been fighting ever since. In the current conflict, Chris-Craft argued that the 1984 pact barred Warner from owning any television stations as long as it owned 25 per cent or more of BHC.

The companies and regulatory authorities have failed to devise a way for Lorimar's television stations to be owned by Warner in a way acceptable to Chris-Craft.

Mr Siegel appears to be trying to use the issue to force Warner to reduce its stake in it.

Genentech sees stagnant share earnings

GENENTECH, the leading US biotechnology group, expects to report share earnings for the third quarter of 6 cents, the same as the year-ago period, Our Financial Staff writes.

The company said its results were affected by slower than expected growth in the market for its thrombolytic heart-attack drug. Sales for the product were down 20 per cent compared with those of the last quarter. The forecast was made by Mr Robert Swanson, chief executive, at a meeting of analysts in San Francisco.

The biotechnology company reported net income of $5.2m or 6 cents per share on revenues of $48m for the third quarter of 1987.

Kerkorian plans $200m rights for MGM/UA

By Our New York Staff

MR KIRK KERKORIAN, the West Coast businessman, has come up with a new plan to raise capital for MGM/UA Communications, the film and television studio he controls, two months after a controversial earlier plan collapsed.

MGM/UA, 79 per cent owned by Tracinda, Mr Kerkorian's main corporate vehicle, will make a $200m rights offering to its public minority shareholders on terms which will be set shortly.

The company will also sell off some unspecified assets and make all its films at MGM, rather than at United Artists as well, in an effort to improve financial performance.

The loss-making company said the combined actions should enable it to repay all its bank loans and improve its cash flow by about $50m a year, as a result of reduced interest expenses and other savings.

Under the complex earlier plan, Mr Kerkorian had hoped to raise about $172m of outside capital by splitting the company in two and selling 25 per cent of MGM for $100m to two Hollywood producers, Mr Burt Sugarman and Mr John Peters. He would also have tapped minority shareholders for $72m in a rights issue.

The producers walked away from the deal, however.

Alcan Aluminium to extend buyback

By Our Montreal Correspondent

ALCAN ALUMINIUM plans to extend its programme for buying back its own stock through the market in a move which could cost it about C$350m (US$289.2m).

The company is seeking regulatory approval for a stock repurchase programme covering up to 10m common shares through the Montreal, Toronto and New York stock exchanges, starting October 27 when the old programme expires.

Air Canada issue price reflects worries

By David Owen in Toronto

THE DECISION to offer 30.8m Air Canada shares to the public at C$8 each (US$6.6), the lowest price analysts had predicted, appears to indicate just how badly the Canadian Government and management of the state-owned airline want the issue to succeed.

The offering, originally announced in April, will put 45 per cent of the airline into private hands. If an option granted to underwriters to purchase an additional 3.5m shares is taken up, government ownership will drop to 51 per cent.

Proceeds, which will be used by the airline for fleet renewal, will be between C$246.4m and C$274.4m.

UNDERWRITING sources for the Air Canada share issue said the issue has been heavily *oversubscribed*.

They said that financial institutions received "about half the shares they asked for," and that the issue would have a record number of individual subscribers, with their holdings ranging between 25 and 500 shares.

With a general election looming, a high level of small investor participation is desirable for Conservative *Prime Minister* Brian Mulroney's Government, which faces criticism if too much of the issue falls into the hands of institutional or foreign investors.

Mr Mulroney would clearly not be averse to a sharp windfall-generating rise in the stock's price when trading begins on October 11. This might put the Government's *continuing privatisation initiative*, which has been regarded with indifference or outright hostility by most Canadians, into a more favourable light.

Air Canada is hoping that a positive experience with the issue might coax the Government (if re-elected) to proceed swiftly with the sale of the remaining 55 per cent stake.

The C$8 price tag will translate into a price/earnings ratio of just over five — somewhat less than other Canadian airlines – if Air Canada's projection of a net profit of C$103m in 1988 proves correct.

This might appear an tall order for a company which earned only C$8m in its first half.

However, second-quarter income rose sharply to C$37.1m after a C$29.1m first-quarter loss, and the third quarter is traditionally the strongest for airlines.

INTERNATIONAL COMPANIES AND FINANCE

The repackaging of a US group's European voice

Kenneth Gooding reports on the reshaping of Reynolds Metals

Mr Bill Bourke was one of the first chairmen of Ford of Europe in the early 1970s after the US automotive group decided to reorganise its operations across European.

He is now using that experience to help reshape the European business of Reynolds Metals, the second-largest US aluminium group and one that is rapidly expanding its packaging operations.

Mr Bourke, chairman and chief executive of Reynolds, says: "We were competing against ourselves in Europe. We did not present a unified front. We came across as lots of squeaky voices, not one loud one."

Last year the group set up Reynolds (Europe) with headquarters in Lausanne, Switzerland, to co-ordinate its manufacturing, distribution and marketing across Europe.

Co-ordination previously was by the group's International division, based in Richmond, Virginia. Mr Bourke says his Ford experience told him that, to be successful in Europe, "you have to be there, be part of the community. The European aluminium companies are set up on a continental scale and we must match them".

The change is already bearing fruit, he says. So much so that Reynolds has decided to expand operations at its Spanish subsidiary, Inasa (Industrial Navarra del Aluminio).

Inasa's factory at Navarra produces a broad range of products and Reynolds believes that, in particular, it can become a major supplier of aluminium foil to the rest of Europe.

Inasa's foil production capacity is being expanded by about a third to between 75,000 and 80,000 tonnes a year to keep pace with expected future growth.

Reynolds also has three semi-fabricating plants in Italy which make a range of items. That country and Spain will provide most of the products for Reynolds' attack on the European packaging market.

In contrast to his enthusiasm about the prospects for Reynolds in Europe's packaging business, Mr Bourke takes a gloomy view of the future for the smelter and associated plants at Hamburg in West Germany in which Reynolds has a one-third interest, with two state-owned companies, VAW of West Germany and Austria Metall, sharing the rest.

"We are nervous about its future beyond the current power-supply contract which ends in 1992," Mr Bourke says. "The economy in that part of Germany has expanded so much that power is in short supply and we wonder whether the authority will supply us with power at all – at any price."

He points out that, when the smelter was set up 15 years ago, it was on the edge of Hamburg town and the 500 jobs it created were welcomed. Even so, Reynolds was forced by Hamburg, which is a city state, to take local partners in a venture over which it would have preferred to have had complete control.

Hamburg has grown so fast that the town has engulfed the smelter, thus giving rise to some pollution problems. "And 500 jobs is not a big deal there any more."

Mr Bourke says 1988 looks to be the most successful year in Reynolds' history. The group expects to break the record for aluminium shipments it set in 1974, the record for sales and net income it set last year, and the record for earnings per share set in 1980.

Bond to spin off HK unit

By Our Financial Staff

BOND CORP International, a Hong Kong subsidiary of Mr Alan Bond's Bond Corp Holdings, plans to spin off part of its affiliate HK-TVB, which would be split in two to meet new rules on television broadcasting in Hong Kong.

Under the plan, HK-TVB, consistently ahead in the ratings over rival ATV, would set up a company called Television Broadcasts to concentrate on television broadcasting and business related to HK-TVB's broadcast licence.

Straddling the public-private sector dividing line

Chris Sherwell on what some see as the Western Australian Development Corporation 'success story'

When it comes to the grey line between private and public sector, few straddle the boundary more intriguingly than the Western Australian Development Corporation (WADC).

Established in 1984, the WADC is the creature of Mr Brian Burke, former state premier, and his Labor Party Government which came to power a year earlier. It was billed at the time as an institution which would promote private sector economic activity in the state by helping companies with ideas or skills but limited access to capital.

In practice, critics say, it has gone beyond this to become a sort of entrepreneurial arm of the Labor Government, and one of a profusion of agencies trying to capitalise on their position and their access to enormous government cash flows to take risks and make profit.

Indeed, WADC and these other agencies – which include the Western Australian Exim Corporation, the State Superannuation Board and the State Government Insurance Commission (SGIC) – have become so involved in and with private business that nowadays they are described by the disapproving catch phrase "WA Inc."

WADC is the most interesting. A statutory body without a blanket government guarantee, it is required to operate profitably and is headed by a board of businessmen drawn from the private sector.

Over four years it has made A$50m (US$39.4m) in profits, and returned to the Government a fistful of dividends. Mr John Horgan, chairman of WADC and formerly of Metro Industries, has a phrase for some of its achievements: "horrendously successful."

Its most controversial activities have involved its role as an adviser to the Government on the use of its assets. This has involved it in the management and disposal of the Government's vast property portfolio – "cleaning up the Government's back yard," as Mr Burke once put it.

According to Mr Horgan, the Government – "the biggest landowner in the largest state in the world" – was found to have 76,000 properties, 6,000 of which were not known about. "It was like busting into the lolly shop," he says.

But critics say most of the work collating landholdings was done before WADC arrived on the scene. They argue it was not necessary to give WADC this responsibility, and that some deals have looked like no more than the Government passing the parcel.

The most celebrated case has involved the Perth Technical College, a splendid red-brick building on the main street in

Brian Burke: established WADC in 1984

the heart of Perth's business district. The Government's valuer put a A$16m value on this prime piece of real estate. Private sector estimates ran up to about A$20m.

WADC bought it from the Government for A$21m in order to sell it at a profit. It went for A$30m, but to a joint venture between Mr Alan Bond, the local entrepreneur, and the Government's State Superannuation Board. A further swapping of assets last year put the site back in government hands, in the form of the Superannuation Board and the SGIC.

They have since turned their own profit. In March, Mr Kerry Packer, another leading entrepreneur, and Mr Warren Anderson, a property developer, bought this and three adjacent sites held by the SGIC – two of them acquired from Mr Robert Holmes à Court's Bell Group after it was hit by the stock market crash.

This A$270m deal was the state's biggest property transaction to date, but it included both deferred payments and leasing guarantees on the complex which Mr Packer and Mr Anderson now plan for the massive site.

Of course, not all of this can be laid at WADC's door. But it has raised the question of whether such an agency can manage the Government's assets, and whether it has not dealt first with the plums and left the harder-to-manage assets for later.

WADC's other important role, of promoting the state's economic development, has come in for less sharp criticism. One of its earliest responsibilities was to manage the Western Australian Diamond Trust, which purchased a 5 per cent interest in the huge Argyle diamond mine and floated the units to the public at a profit. That purchase was made from Northern Mining, a company which the Government bought from Mr Bond.

WADC's most notable achievement is the creation of Gold Corporation, now a separate entity. Gold is Western Australia's second most important mineral after iron ore, and Goldcorp was established as a gold marketing, financing and trading operation based on the redevelopment of the Perth Mint, which anyway wanted to exploit the obvious commercial opportunities.

Its big success has been the introduction of the Australian Nugget gold coin. Within a year (and two years ahead of schedule), the Nugget captured 10 per cent of the world gold coin market. In large measure, this is due to WADC's recruitment of two key figures: Mr Don Mackay-Coghill, the man who masterminded the promotion of the South African Krugerrand, and Mr Nigel Desebrock, who came from Intergold.

As part of its general hope of developing Perth as a financial centre, WADC has also managed to attract Industrial Bank of Japan to Perth, taking an initial 30 per cent (later reduced to 5 per cent) of IBJ Australia Bank in the process.

Whether WADC will succeed in its other aim, of setting up an Australian International Insurance Exchange in Perth, remains unclear. The idea is that it would write a significant proportion of the estimated A$2bn in insurance and reinsurance business which leaves Australia each year.

WADC says an exchange would be viable, adding that the plan has received a boost from a Federal Government decision to allow certain insurance premiums as offsets under its offsets programme. Under this programme, foreign winners of Australian government contracts have some of the goods made in Australia or buy other Australian goods and services.

WADC's readiness, in line with its original purpose, to participate in business ventures with private enterprise (preferably with the aim of divestment once an enterprise is established) is well illustrated by the case of IBJ.

It has built up a range of investments over four years, and even exited from some. The list includes a venture capital company, a joint venture with a Middle East company to introduce a new breed of sheep with meat export potential, and a company making diamond drill bits.

WADC is also involved in a resort development in the northern coastal town of Broome.

To speak to WADC and its supporters, the institution has been a boon to the state and an object lesson to others. Its critics are far more circumspect. Some view it with suspicion and mistrust; many wonder if it is really necessary. The verdict will lie in its record.

INTL APPOINTMENTS

President of Sears Roebuck to retire

SEARS ROEBUCK, largest US retailing and consumer financial services group, has announced that Mr Richard M. Jones, president since 1986, plans to retire at the end of the year after 38 years of service with the company.

Mr Edward A. Brennan, chairman and chief executive, will take on the additional role of president, effective from the retirement of Mr Jones, who will then be 62.

Mr Brennan, 54, said: "Dick Jones is the primary architect of a dynamic, cost-effective capital structure that has assured Sears favourable access to capital markets worldwide. His vision has given us world-class financial management capability and his counsel has been instrumental in enabling us to efficiently finance the growth of Sears's diversified businesses."

★ ★ ★

DU PONT, the biggest US chemical company, named Mr Theodore F. Killheffer director of external affairs and chief counsel, Europe at its Du Pont de Nemours International, Geneva, subsidiary.

He succeeds Mr John E. Dull, who has returned to the parent company to fill the post of managing counsel at the Delaware headquarters.

Mr Killheffer joined Du Pont in 1957. From 1973 to 1984, he was responsible for the group's international trade policy. He served as chairman of the Industry Sector Advisory Committee on Chemicals and Allied Products for Trade Policy Matters, having been appointed to the Committee by the US Secretary of Commerce and the US Trade Representative. In 1985, he became chief counsel, tax division, at Du Pont.

★ ★ ★

FINANCIAL Security Assurance, a New York-based financial guarantee company, has opened a representative office in London and named Mr Anthony G. Hillier director of its operations, writes our Euromarkets staff.

Mr Hillier had been managing director of GEC Finance Ltd. He served on the board of Financial Security as a representative of General Electric, of the US, a shareholder of the insurance firm since it was established in July, 1985.

★ ★ ★

AT GENERAL Instrument, US cable television and electronic systems group, Dr Matthew D. Miller has been elected vice president, technology.

Dr Miller will be in charge of corporate technical strategic planning and co-ordination of long-range research and development programmes in advanced technologies. He was formerly with Viacom International as vice president, science and technology.

Mr F.G. Hickey, chairman and chief executive at General Instrument, said: "Matt Miller is a leader in our industry. His extensive experience and knowledge in the technologies of cable television and satellite communications is a perfect fit with our company's needs."

★ ★ ★

REUTERS, the UK-based international news and information group, has appointed at its Reuters North America unit Mr Paul A. Tattersall as vice president, Globex. From 1982 to 1987, he was president of the Minneapolis Grain Exchange.

Mr Tattersall, 53, will be responsible for development and implementation of the Chicago Mercantile Exchange (CME) Globex system for futures and options trading, for which Reuters has agreed to supply the transaction and communications network. He will also concentrate on Reuter/CME efforts to market Globex to other exchanges.

★ ★ ★

MAJOR US banking concern J.P. Morgan announced that Mr Michel Tilmant, a vice president of the group, has been made deputy general manager of its Belgian banking office.

Mr Tilmant, 36, who has worked for the Morgan group since 1977, has had responsibility for co-ordination of Morgan Investors Services activities in Europe for the past two years.

★ ★ ★

PHELPS DODGE, largest US copper producer, elected Mr J. Steven Whisler a senior vice president. He retains his company post of general counsel.

Mr Whisler, 33, who joined the group 12 years ago, will become a member of the senior management committee. He will remain chief legal officer and oversee many of the company's staff functions, including environmental services, government relations and corporate information services.

Elected to a new position of vice president, engineering, is Mr Richard W. Rice, aged 45. He has been with the company since 1966, last serving as manager of engineering services.

★ ★ ★

ESSELTE, the Swedish office automation and supplies group, named Mr Raoul Waldenor executive vice president responsible for finance, control and business development.

INTL COMPANIES AND FINANCE

Stet lifts midway earnings by a third to L1,288bn

By Alan Friedman in Milan

PRE-TAX earnings at Stet, the electronics and telecommunications concern that is part of Italy's IRI state holding group, rose by 33 per cent in the first six months of 1988, to L1,288bn ($918.7m).

The Stet profits came on the back of L8,225bn of consolidated turnover, an increase of 12.9 per cent year-on-year.

The Rome-based Stet includes among its holdings: Italtel, the telecommunications equipment maker; SIP, the state telephone company; Selenia-Elsag, the defence electronics business; Italcable, the overseas telephone company; Sirti, the telecoms installation and maintenance subsidiary; and other related businesses.

Selenia-Elsag is to be transferred to another IRI group company, Finmeccanica, after a planned reorganisation that will focus Stet's activities on the telecommunications sector.

Stet's gross operating margin, before depreciation and interest charges on the group's L14,521bn of net debt, came to L4,418bn for the first half of this year, up by 17 per cent on the equivalent period in 1987. Stet employs 126,800 people.

The SIP unit said it expects its 1988 profit at least to match the 1987 profit of L489bn, up from L255bn in 1986. It added: "Even taking into account certain problems weighing on the results, whose extent will become clearer in the second half of the year, it is expected that 1988 will close with a positive result, at least matching that of the preceding year."

Renault says profits likely to top FFr6bn

By Paul Betts

Reports from the Paris Motor Show

RENAULT, the French state-owned car group, expects to report net profits of more than FFr6bn ($940m) this year confirming its strong recovery, Mr Raymond Levy, the chairman, said yesterday. Sales this year are expected to advance to FFr160bn from FFr147bn last year.

Renault returned to the black last year, after intense restructuring, with a profit of FFr3.7bn. It had accumulated heavy losses in the previous years with a deficit of FFr10.9bn in 1985 and a record loss of FFr12.5bn in 1984.

Although Renault continues to be heavily burdened by its debt, Mr Levy said the group had steadily reduced this and it was expected to be less than FFr40bn at the end of this year after totalling as much as FFr55bn at the end of 1986.

Renault is hoping to reduce its indebtedness even further by securing a FFr12bn debt relief programme from the French Government, its sole shareholder. This would reduce Renault's debt to around FFr28bn.

The French Government is negotiating a new debt relief plan with the European Commission, which previously approved the former right-wing government's proposals to reduce Renault's debts by FFr12bn and to transform its privileged status of a state-controlled "regie" into an ordinary Societe Anonyme.

However, the new Socialist government has decided not to change Renault's status, although it has told the group it will go ahead with the FFr12bn debt-relief programme. The Government is arguing that the debt relief will not distort competition as it will be the last time Renault will receive state support.

Mr Levy said that Renault's debt remained the group's last weak point. In every other aspect Renault had now recovered fully and had become once again "a company like any other."

He added that Renault's performance was continuing to improve and although Renault's profits were not as big as those of Peugeot or Fiat, they were, nonetheless, among the five largest profits in the French corporate sector last year.

VW sees 9% income rise

By Our Financial Staff

VOLKSWAGEN'S group net income is likely to rise at least 9 per cent to a minimum DM650m ($346m) in 1988, Mr Carl Hahn, chairman said yesterday in Paris.

Mr Hahn said a report by a French brokerage house predicting a 1988 net profit of DM650m could be "too conservative." In 1987, net earnings rose 3 per cent to DM598m from DM580m a year earlier after the West German vehicle maker took a DM380m charge resulting from the closure of its US manufacturing plant.

Mr Hahn said VW's profitability had improved this year as the company rid itself of loss-making operations and entered new areas.

● Porsche, the sports car maker, said group sales in the 1987/88 year fell to DM2.48bn from a previous DM3.40bn, mainly because of a decline in US business.

It said net profit for the year ended July 31, 1988 would be acceptable but gave no figure. Profit in 1986/87 was DM51.9m.

Porsche's statement also said the group would pay an "appropriate dividend" on 1987/88 results. The company cut its 1986/87 preference share dividend to DM11 from DM16.

● BMW said group sales are expected to rise by 12 per cent to more than DM14bn in the first nine months of 1988.

Mr Eberhard von Kuenheim, chairman, said just under 350,000 cars would have been produced and sold from January to September, 6 per cent more than a year earlier.

Nissan aims to expand in Europe

By Kevin Done, Motor Industry Correspondent

NISSAN Motor, the second largest Japanese automotive concern, is aiming to build more than 25 per cent of its production volume overseas by the early 1990s, Mr Yutaka Kume, Nissan president, said.

In the 12 months to the end of March, Nissan built more than 500,000 vehicles or nearly 20 per cent of its worldwide production volume of 2.7m units outside Japan, he said.

Nissan is still the only Japanese motor group to have established its own car production base in West Europe, although Honda has a production arrangement with Rover Group and is also developing an engine plant in the UK and at least three other Japanese vehicle makers, Toyota, Mitsubishi and Subaru, are studying the feasibility of establishing car assembly plants in Europe.

Mr Kume said that Nissan was planning to invest a further $400m in developing its European production base during the early 1990s, in addition to its accumulated spending to date of around $1.4bn.

Nissan is the leading Japanese car marque in Europe ahead of Toyota, the biggest Japanese automotive concern, a position it has held for the last 15 years.

Last year, it sold 369,000 cars and 37,000 commercial vehicles giving it a share of some 2.9 per cent of the European car market.

Mr Yoshikazu Kawana, board member and group director for European sales, said that Nissan, boosted by growing output from its UK car assembly plant, was aiming to capture "at least 5 per cent" of the European car market by 1991/92 with sales of around 550,000 units a year.

The company had hoped to use its UK-built cars to circumvent the tight quotas in France and Italy on direct Japanese car imports but it is facing a controversial block imposed by the French Government, which is insisting that the UK-built cars should be included under the quota until they have an EC content of at least 80 per cent.

Spantax plans to restart operations

SPANTAX, the Spanish charter airline, expects to begin operations again in February in its first move after being purchased by a consortium, the new owner, Von Wernitz & Partner, said, AP-DJ reports.

Spantax shut down last March for lack of funds after Mr Wolfgang Krauss, its German chairman, said there was no money to pay employees or to keep operating and no potential buyers.

Last week Baron Andres Von Wernitz delivered a check for Pta140,000 in a symbolic payment to take possession of the company's 140,000 shares at Pta1 per share. The deal included taking up the debt of the company, amounting to Pta16bn ($112m).

Wernitz & Partner is understood to represent Amine Fouad Awad, the Lebanese sheikh, Florida West Airlines of the US and a group of Spanish investors. It said that the new company expected to operate a fleet of 12 jets by late 1989, and this would be increased to 15 by 1992. At present the company has eight planes and 700 employees.

INTERNATIONAL CAPITAL MARKETS

New York prices recover at end of dull session

By Janet Bush in New York and Our Euromarkets Staff

THE US Treasury bond market picked up in late trading yesterday. A negative feeling dominated most of a quiet trading session, partly because of concern about higher interest rates and expectations that September's economic figures will show continued strength.

On Tuesday, the price of the Treasury's benchmark long bond broke under par for the first time since early August, a highly visible indicator of the market's weakness.

However, after being depressed for most of the day across the yield curve, Treasury bonds turned stronger towards the close as the Treasury's auction of $7.08bn of four-year notes received a more positive reception than had been expected. Towards the close, the Treasury's benchmark long bond had turned a ⅛ of a point drop into a ⅛ gain to yield 9.09 per cent.

The auction had been seen as a major depressant this week, and, although bidding was not aggressive, there was a significant amount of interest from foreign investors, which surprised the market.

Demand at Tuesday's two-year note auction came largely from bids from securities houses designed to cover short positions taken before the sale and retail demand was scarce. Yesterday, the market was bracing itself for the $7bn auction of four-year notes.

There is also an auction of three and six-month bills on Monday totalling $14bn.

A LARGER than expected Australian trade deficit for August prompted the start of a sell-off in Australian government bonds that sent the yield on the benchmark 12½ per cent bond due 1998 up by 12 basis points to almost 12 per cent.

While market participants had been expecting a trade deficit of A$1.2bn to A$1.5bn, the bulk of forecasts centred on the lower end of that range. When the deficit was revealed at A$1.39bn, dealers began unloading positions.

Even with the current very high level of short-term interest rates in Australia, there is the fear that further rate increases might be needed to choke off demand for imported goods if the trade imbalance is not checked.

Also, dealers fear there may be yet another half-point increase to 14 per cent when the Reserve Bank of Australia announces its re-discount rate today on its auction of A$1bn in Treasury notes.

The dismal outlook on interest rates was compounded by

GOVERNMENT BONDS

the Reserve Bank of Australia's announcement of changes in prudential requirements for savings and trading banks. As a result of the new rules, up to A$2bn in Commonwealth government securities held by trading banks could be sold as portfolios are lightened.

While the savings banks, which have not previously had to meet so-called prime asset requirements, will have to meet them now, the trading banks have effectively had their reserve requirements lowered. Now all institutions will have to maintain a minimum of 10 per cent of Australian dollar liabilities in the form of prime assets, typically government securities.

They may also hold them in the form of notes and coins and balances at the Reserve Bank of Australia.

Mr Dick Howard, chief economist at ANZ Merchant Bank, said that although the market had been prepared for the change by previous statements from the central bank, participants were caught by surprise by the September 30 introduction date – much sooner than any had expected.

Also, they had expected the lower requirement for trading banks to be phased in over time, instead of enacted as a one-off move. The initial reaction was to imagine wholesale dumping of portfolios by next Monday when the new rules will be in effect.

The news of the new reserve requirements was announced late in the trading day in Sydney, and the last hour of trading was hectic. But after the opening of New York trading, the strength of the currency and a reassessment of the implications of the August trade data sparked short-covering by speculative accounts.

UK government securities, after building on yesterday's healthy price gains, ended ¼ to ¾ point lower on profit-taking by a handful of trading accounts.

But sharp price declines are unlikely because the severe shortage of stock has made dealers frightened of going short. Also, institutional liquidity is high, especially among building societies.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	110-17	-8/32	10.21	10.43	10.47
		8.750	9/97	93-13	-5/32	9.88	10.05	10.11
		9.000	10/08	97-30	-2/32	9.23	9.38	9.44
US TREASURY		9.250	8/98	101-18	+6/32	9.01	8.91	9.29
		9.125	5/18	100-05	+4/32	9.11	9.01	9.66
JAPAN	No 105	5.000	12/97	99.9053	+0.095	5.01	5.05	5.28
	No 2	5.700	3/07	104.6137	+0.441	5.21	5.30	5.42
GERMANY		6.500	5/98	98.5000	-0.050	6.52	6.48	6.69
FRANCE	BTAN	9.000	7/93	101.7571	-0.021	8.35	8.38	8.57
	OAT	8.500	6/97	98.2000	-0.375	8.80	8.57	9.08
CANADA		9.500	10/98	96.0000	-0.125	10.15	10.27	10.61
NETHERLANDS		6.500	7/98	100.0250	-	6.43	6.41	6.66
AUSTRALIA		12.500	1/98	102.9871	-0.397	11.94	11.76	11.93

London closing.
Yields: Local market standard

Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

S&P alters ratings on government offerings

By Our Euromarkets Staff

STANDARD AND POOR'S is assigning its traditional letter credit ratings to sovereign governments which have not requested ratings for their bond issues. But it will only issue a blanket rating for all bond offerings rather than issuing a separate rating every time a new bond is launched.

It had previously used a series of descriptive ratings for countries ranging from "very strong" to "inadequate."

S&P said it had decided to issue formal letter ratings for sovereigns which have not requested them after conducting a survey of international subscribers finding strong demand for the service.

The first ratings were announced yesterday with Greece recieving the lowest possible investment-grade rating of BBB. Ireland and South Korea were both assigned long-term debt ratings of A-plus.

Moody's Investors Service, Standard and Poor's largest competitor, has been assigning unsolicited letter credit ratings to sovereign borrowers for two years.

The move by Standard and Poor's marks one more step in the growing trend of credit rating agencies, seeking a higher profile in an increasingly competitive international marketplace to assign ratings for borrowers who have not sought them and have not paid for them.

Recently, Moody's Investors Service sparked a controversy in the UK mortgage-backed securities market by assigning a relatively low credit rating to a security whose issuer, an affiliate of Kleinwort Benson, had not sought it. Some market participants speculated that Moody's had assigned such a low rating in the hope of provoking the issuer to seek an official rating, a service for which Moody's charges up to $50,000.

But Moody's defended its actions, saying it assigned the rating without the borrower's request in an effort to provide better services to its subscribers who are reguarly informed of credit ratings changes.

Analysts call for universal bond

By Dominique Jackson

THE EXISTING fragmentation of the international dollar fixed income market, into US Treasury, Eurodollar and Yankee sectors, merely compounds distribution and liquidity problems and is a major disincentive to investors.

One solution to this problem could be a new "universal" investor-oriented bond issue, straddling the US Treasury and Eurodollar markets.

This is the thesis proposed by a pair of World Bank analysts, Mr Kenneth Lay and Mr Jan Wright, in a provocative article published in the current issue of the Journal of the International Securities Markets.

In it they discuss the present structure of the US dollar debt markets and suggest that several Euromarket practices are no longer appropriate to the needs of its principal investors.

Their proposals appear even more controversial given that the World Bank itself is one of the largest and most influential users of the Euromarkets and would presumably stand to lose out if the Eurodollar sector were eclipsed by some form of more streamlined universal dollar bond trading medium.

In the article, Mr Lay and Mr Wright, officials in the World Bank's financial operations department, point out that although the US dollar publicly-issued debt market remains the single most important bond market with $4,200bn outstanding at the end of last year, two-thirds of this market, the non-Treasury sector, remains woefully fragmented.

This leads to persistent disparities in coupon payment and yield calculation conventions, forms of issuance, clearing arrangements and underwriting and trading practices.

This has detrimental consequences, not merely for investors who often bear higher transaction costs in their portfolios, but also for issuers who find it difficult to have their securities offered to the full range of potential buyers in primary distribution and whose yield spreads are often wider than their credit standing could otherwise command.

The analysts argue that this parallel market system is kept in place largely through the efforts of the intermediaries between investor and issuer who have a vested interest in maintaining the status quo. However, issuers are also taken to task for remaining indifferent to the price exacted by the market for less than satisfactory liquidity, while institutional investors have not demanded delivery of, and a trading commitment to, the lowest cost securities offered by the names in which they choose to invest.

Many Euromarket conventions come in for particular criticism. These include the lead manager's control of a relatively large share of the issue, his unfettered control over allotments – subject only to guidelines issued by the International Primary Markets Association – use of praecipium and stabilisation fees to lay off bonds at prices below co-managers cost and the high number of co-managers which tends to reduce commitment to the issue in post-launch trading.

According to the authors, there is no longer a need to differentiate between Euro-investors and domestic investors because all now place a higher premium on instruments that are ultimately effective for control of risk and expression of currency and interest rate views.

To overcome these problems, they propose a new instrument, "a Treasury clone for a quality borrower which would be legal for universal distribution and appropriate in form for institutional investors."

However, although they provide details of their proposed new instrument, they also caution that a new "universal" fixed income instrument like this would take time to be accepted by investors.

As a consequence, costs to borrowers would not fall until the bond has been proven in the market.

Tuning the Dollar Market Machine: Reducing Friction in Global Distribution and Trading of Non-Treasury Bonds – Kenneth Lay and V. Jan Wright, Autumn issue of the Journal of the International Securities Markets 1988, IFR Publishing

Japanese upset at grey market in JGBs

By Ian Rodger in Tokyo

JAPANESE BANKS and securities houses are in high dudgeon this week over the establishment by foreign financial houses of a prototype grey market in new Japanese government bond (JGB) issues.

Many recognise that this development is an inevitable consequence of the liberalisation of the Government's bond raising methods.

However, they think the foreigners are rude to start shaking up the market only a short time after joining it.

"This could destroy the traditions of government bond issues, and we would be very unhappy if it did," says an official at Nomura Securities.

Until recently, JGBs have been launched through syndicates of banks and brokers on terms fixed by the Ministry of Finance (MoF). In the past three years, in response to pressure from foreign governments, foreign banks and brokers have been given small allocations in the syndicates. More important, a portion of the issues is now offered to brokers by auction rather than placed with syndicates.

Not surprisingly, US and European banks and brokers have imported the Western practice of sounding out customers and even contracting to sell bonds before submitting their tenders in the auctions.

In recent months, as the bond market has weakened, some foreign financial houses have even offered to sell bonds in advance of the actual issue at a discount, thus establishing a rudimentary grey market.

This week, as preparations were being made for next month's 10-year bond issue, the discounting became sufficiently widespread to provoke a strong reaction among Japanese banks and brokers.

One irate broker said the discounting demonstrated that foreign banks and brokers did not have much placing power and thus cast doubt on their demands for larger shares of the JGB issues.

Complaints have been lodged with the MoF, but the ministry says it would be difficult to find evidence of discounting.

What is happening is that the foreign banks and brokers are offering to pass on a part of the MoF's commission to their clients. JGBs are priced by the MoF inclusive of a 60 basis points commission.

Traditionally, the syndicates have respected the MoF price in the initial distribution period regardless of market conditions, keeping bonds on their own books for some time if necessary. But, as one Japanese broker complains, once one underwriter offers a discount, big customers will ask others to follow.

Some Japanese brokers warn that this could lead to poor sales of an issue or could cause the MoF to consider reducing the commission. Others recognise that change is inevitable, but wish it could be implemented in a more orderly way.

The problem for Japanese banks and securities companies is that they have much closer relations with the MoF and with each other than the foreigners do. Thus, it is not easy for one or a few of them to move with the times unless everyone agrees to do so.

Our Euromarkets Staff writes: Ironically, the charge levied at foreign firms in Japan is virtually identical to that levied at Japanese firms striving for a share of the US and UK government bond markets.

In New York, when the four largest Japanese houses set out to become primary dealers in Treasuries, American houses accused them of "dumping" securities to gain market share. It is common US practice to trade on a when-issued basis ahead of a Treasury auction at whatever price the market can command.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday September 28 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Sep 27 Index No.	Mon Sep 26 Index No.	Fri Sep 23 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (210)	788.04	+0.7	10.89	4.21	11.35	20.19	782.46	774.17	771.14	999.91
2	Building Materials (29)	977.70	+0.6	12.38	4.45	9.97	24.47	971.61	963.66	963.32	1253.80
3	Contracting, Construction (37)	1551.62	+0.7	12.00	3.70	10.87	34.17	1541.19	1534.51	1534.78	1846.88
4	Electricals (12)	2183.58	+0.6	9.21	4.70	13.28	54.89	2169.99	2153.27	2145.23	2533.35
5	Electronics (28)	1705.21	+0.9	10.43	3.65	12.33	40.48	1690.55	1656.71	1647.54	2122.99
6	Mechanical Engineering (58)	411.76	+0.8	10.58	4.33	11.59	10.62	408.31	405.25	403.19	534.12
8	Metals and Metal Forming (7)	486.39	+0.9	10.00	3.98	12.37	10.06	481.91	475.76	474.75	582.35
9	Motors (16)	278.40	+1.4	11.76	4.76	9.82	7.80	274.54	272.58	271.31	403.55
10	Other Industrial Materials (23)	1338.77	+0.2	9.64	4.56	12.23	41.77	1336.19	1322.55	1312.37	1723.33
21	CONSUMER GROUP (185)	1053.65	+0.3	9.54	3.80	13.21	20.44	1050.84	1046.84	1049.44	1367.67
22	Brewers and Distillers (21)	1135.14	+1.7	10.42	3.62	12.11	22.90	1116.61	1110.06	1115.19	1228.85
25	Food Manufacturing (21)	947.35	+0.1	9.34	3.90	13.53	18.91	946.24	943.44	950.69	1017.87
26	Food Retailing (16)	1831.62	-0.8	9.43	3.64	13.99	38.76	1846.44	1847.75	1855.12	2512.64
27	Health and Household (12)	1857.52	-0.3	6.99	2.65	16.53	18.01	1862.30	1847.83	1843.87	2654.46
29	Leisure (30)	1346.74	+0.8	9.13	3.81	14.04	29.68	1335.86	1329.00	1330.98	1450.62
31	Packaging & Paper (17)	530.51	+3.2	10.36	4.09	12.33	13.89	514.27	508.09	507.44	714.17
32	Publishing & Printing (18)	3331.71	+1.0	8.90	4.62	14.82	74.44	3297.70	3271.71	3267.11	4969.45
34	Stores (34)	740.97	-0.3	11.25	4.50	11.70	16.36	743.53	749.17	750.92	1105.61
35	Textiles (16)	497.85	+0.1	13.89	5.56	8.45	12.69	497.36	494.71	497.83	987.19
40	OTHER GROUPS (93)	893.13	+0.8	11.25	4.47	10.84	21.98	886.35	874.72	873.05	1172.62
41	Agencies (19)	1052.40	+1.4	8.61	2.67	14.68	18.23	1037.82	1037.29	1038.73	1730.68
42	Chemicals (21)	1046.81	+0.8	12.19	4.88	9.86	36.09	1038.46	1030.34	1032.68	1514.59
43	Conglomerates (13)	1224.65	+1.0	10.33	4.41	11.18	24.92	1212.86	1202.38	1200.38	1580.91
45	Shipping and Transport (12)	1905.67	+1.1	11.96	4.06	10.94	37.93	1885.46	1856.82	1848.93	2381.94
47	Telephone Networks (2)	964.90	——	11.51	4.61	11.27	20.38	965.40	938.64	934.41	1094.76
48	Miscellaneous (26)	1208.35	+1.4	11.67	4.49	9.77	36.88	1192.15	1186.66	1183.45	1763.11
49	INDUSTRIAL GROUP (488)	954.27	+0.6	10.38	4.10	11.96	21.48	948.96	941.49	941.88	1234.69
51	Oil & Gas (12)	1737.66	-1.5	10.88	6.42	11.78	76.80	1763.53	1756.76	1753.53	2284.48
59	500 SHARE INDEX (500)	1020.87	+0.3	10.45	4.42	11.93	26.04	1018.06	1010.63	1009.98	1323.85
61	FINANCIAL GROUP (121)	685.04	+0.7	–	5.17	–	22.38	679.96	673.77	676.53	874.99
62	Banks (8)	671.92	+1.2	21.41	6.50	6.26	30.77	663.87	657.97	660.15	860.31
65	Insurance (Life) (8)	1085.25	+0.8	–	5.24	–	36.93	997.20	986.00	991.21	1224.95
66	Insurance (Composite) (7)	536.69	+0.2	–	5.82	–	18.56	535.76	527.52	529.85	684.64
67	Insurance (Brokers) (7)	945.67	+1.9	10.13	6.73	12.78	44.40	928.22	925.96	928.80	1259.30
68	Merchant Banks (11)	329.27	+1.3	–	4.47	–	8.09	325.00	326.45	325.77	506.55
69	Property (50)	1181.04	+0.4	5.63	2.78	22.72	16.10	1176.02	1163.25	1171.33	1344.24
70	Other Financial (30)	359.47	+0.2	10.62	5.54	11.84	10.71	358.84	359.17	360.23	594.92
71	Investment Trusts (78)	910.16	+0.3	–	3.11	–	15.60	907.40	906.02	904.16	1194.81
81	Mining Finance (2)	586.58	+1.6	10.29	3.57	10.76	15.67	577.59	580.55	578.84	688.22
91	Overseas Traders (8)	1298.50	+1.2	9.20	4.37	12.70	35.31	1283.53	1287.24	1283.54	1319.23
99	ALL-SHARE INDEX (709)	937.79	+0.4	–	4.48	–	24.73	934.21	927.61	927.60	1208.89

	Index No.	Day's Change	Day's High	Day's Low	Sep 27	Sep 26	Sep 23	Sep 22	Sep 21	Year ago
FT-SE 100 SHARE INDEX ♦	1812.5	+4.5	1817.8	1802.5	1808.0	1792.7	1792.4	1788.7	1796.8	2366.0

FIXED INTEREST

	PRICE INDICES	Wed Sep 28	Day's change %	Tue Sep 27	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	119.36	——	119.36	–	9.35
2	5-15 years	136.86	-0.01	136.88	–	9.99
3	Over 15 years	146.30	-0.02	146.33	–	11.09
4	Irredeemables	168.21	+0.46	167.44	–	8.04
5	All stocks	133.23	——	133.23	–	9.98
	Index-Linked					
6	5 years	128.00	+0.19	127.76	–	1.81
7	Over 5 years	121.62	+0.03	121.58	–	2.65
8	All stocks	121.97	+0.05	121.92	–	2.57
9	Debentures & Loans	115.56	-0.02	115.59	–	7.82
10	Preference	87.81	——	87.81	–	4.36

	AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 28	Tue Sep 27	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.76	9.76	9.59
2		15 years	9.45	9.44	9.86
3		25 years	9.15	9.16	9.69
4	Medium Coupons	5 years	10.09	10.06	10.29
5		15 years	9.71	9.71	10.13
6		25 years	9.47	9.48	9.92
7	High Coupons	5 years	10.26	10.24	10.38
8		15 years	9.82	9.83	10.29
9		25 years	9.36	9.39	9.95
10	Irredeemables †		9.10	9.15	9.93
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.31	3.38	3.50
12	Inflation rate 5%	Over 5 yrs.	3.89	3.89	4.15
13	Inflation rate 10%	5 yrs.	2.20	2.26	3.52
14	Inflation rate 10%	Over 5 yrs.	3.72	3.72	4.16
15	Debs & Loans	5 years	11.82	11.71	11.69
16		15 years	11.41	11.39	11.56
17		25 years	11.13	11.14	11.43
18	Preference †		10.29	10.29	10.98

♦Opening index 1803.4; 10 am 1813.3; 11 am 1817.4; Noon 1816.7; 1 pm 1817.7; 2 pm 1817.5; 3 pm 1815.6; 3.30 pm 1815.0; 4 pm 1815.6
† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
NAME CHANGE: Dee Corporation (26) has changed its name to Gateway Corporation.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	42	50	20
Corporations, Dominion and Foreign Bonds	11	17	21
Industrials	464	326	812
Financial and Properties	184	108	371
Oils	12	44	50
Plantations	2	1	10
Mines	46	35	111
Others	28	106	140
Totals	789	687	1,535

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
Ir85p	F.P.	21/10	128	73	Barlo Group Ir10p	74		a050%	2.8	5.6	12.5
§145	F.P.	-	173	145	Christie Group 2p	165		13.5	3.1	2.8	15.2
100	F.P.	-	113	110	*Cupid 10p	110		b2.0	6.4	2.4	8.7
§40	F.P.	-	41	36	Exmoor Dual Inv.Tst.	38		1.2	-	4.1	-
§100	F.P.	-	101	97	Do.Income 100p	100		N6.9	-	9.2	-
Ir30	F.P.	-	26	25	*Iverala West Ir10p	25		-	-	-	-
120	F.P.	-	151	123	National Telecom 5p	149	+9	L2.0	4.1	1.8	14.6
§140	F.P.	27/7	161	135	♦Reject Shop 5p	138		L3.15	2.2	3.0	17.8
118	F.P.	14/10	125	115	Ritz Design Group 5p	115	-3	L2.0	4.3	2.3	11.4
140	F.P.	5/8	141	109	Rockfort Group 20p	110		R3.9	3.3	4.7	7.2
§125	F.P.	19/8	133	118	Savills 5p	118		L3.0	2.5	3.3	13.4
§115	F.P.	14/10	128	115	Thompson Clive Invs. 50p	126		-	-	-	-
-	F.P.	-	23	14	Waverley Mining Warrants	21		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100	F.P.	-	107½	99½	A.C. Hldgs. 11pc Cv. Uns. Ln. 1994/98	107½	
100.4p	F.P.	-	101p	100¼p	Allda Hldgs 9¼pc Cm Rd Pf 2008/13	100¼p	
♦	F.P.	-	107p	100p	Dowty Grp 7pc Cv. Cm. Rd. Pf.	107p	+3
§100p	F.P.	-	101p	99p	Exmoor Dual Inv.Tst.Zero Cn Prf	100p	
100p	F.P.	-	100p	95p	♦Kwalck 7p (Net) Cv. Cm. Rd. Pf. 5p	95p	
-	F.P.	-	100⅛	98⅜	N'wide 11⅞pc 29.8.89	99⅞	-⅛
-	F.P.	-	100¼	99⅞	Do. 12⅛pc 18.9.89	100⅛	+⅛
-	F.P.	-	100⅛	99⅞	Do. 12⅜pc 2.10.89	100⅛	+⅛
100p	Nil	1/11	2ppm	1ppm	Scantronic 7.25p Cv. Rd. Pf.	1ppm	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
Ir180	Nil	27/10	80pm	65pm	Allied Irish Banks	79pm	
155	Nil	26/9	38pm	15pm	Blagden Industries	36pm	+9
15	Nil	28/10	5½pm	4½pm	Charterhall 5p	4½pm	
150	Nil	28/10	10pm	6pm	EBC Group 50p	6pm	
76	Nil	-	12pm	8pm	Elliott (B)	12pm	+1
145	Nil	10/10	19pm	12pm	Ellis & Everard	13½pm	+1½
325	Nil	8/11	27pm	19pm	First Technology	20pm	
20	Nil	4/11	8½pm	5½pm	*Honorbilt Group 5p	6pm	+½
100	Nil	21/10	200pm	150pm	Jermyn Inv. Co.	150pm	
150	Nil	-	41pm	28pm	♦Kenyon Securities	28pm	
75	Nil	26/10	4pm	2pm	Leisuretime Intl. 10p	2pm	
10	Nil	30/9	13pm	6pm	*Lynx Tech. 5p	6pm	
Ir142½	Nil	-	20pm	18pm	Silvermines Ir2½p	19pm	
200	Nil	11/11	45½pm	7½pm	Ultramar	45½pm	+6
125	Nil	4/11	97pm	38pm	Wassall 5p	90pm	-2

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Sep 26
- Last Dealings Oct 7
- Last Declarations Dec 22
- *For settlement* Jan 9

For rate indications see end of London Share Service

Stocks to attract money for the call included **Sears, GEC, Amstrad, Eagle Trust, Trusthouse Forte warrants, Kelt Energy, Underwoods, RMC, ML Laboratories, Pilgrim House, Commercial Union, T. French, Noble and Lund and Oliver Resources.** No put or double options were reported.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*467)	390	80	88	98	2	7	10
	420	55	65	78	6	14	19
	460	28	43	52	18	30	35
Brit. Airways (*164)	140	26	28	32	1	3	5
	160	9	14	18	5	10	12
	180	2½	4½	–	20	22	–
Brit. & Comm. (*218)	200	25	30	34	2	6	7
	220	6	15	20	9	14	16
	240	3	8	12	27	30	32
B.P. (*247)	220	30	38	41	1	2½	5
	240	12	21	24	3½	7½	12
	260	2½	10½	12½	14½	15½	23
Bass (*793)	750	55	67	85	6	20	25
	800	17	35	57	25	45	47
	850	5	17	–	70	77	–
Cable & Wire (*388)	330	62	75	83	2	5	9
	360	37	48	60	4	12	17
	390	14	27	42	13	21	28
Cons. Gold (*1285)	1200	120	190	205	25	54	70
	1300	65	125	155	70	100	115
	1400	27	73	105	135	155	175
Courtaulds (*281)	280	13	25	35	7	17	20
	300	5	15	25	20	28	31
	330	1	7	14	50	51	53
Com. Union (*340)	300	44	54	62	1	6	11
	330	20	36	41	6	12	24
	360	7	21	26	23	30	42
G.E.C. (*160)	140	21½	27	29	1	4	5
	160	5	10½	14	5	10	12
	180	1¼	3½	7	22	24	27
G.K.N. (*323)	300	28	39	47	2½	7	12
	330	7½	20	27	12	19	26
	360	1½	10	15	38	39	45
Grand Met. (*498)	460	45	62	68	4	9	13
	500	16	34	42	15	22	30
	550	3	13	20	55	57	60
I.C.I. (*1023)	950	82	112	125	4	15	30
	1000	42	78	90	14	28	48
	1100	5	28	40	84	85	107
Jaguar (*247)	220	30	40	–	2	6½	–
	240	14	26	32	5	12	18
	260	5	15	21	17	21	28
Land Securities (*562)	500	68	78	90	1½	6	10
	550	25	42	53	9	18	23
	600	4	15	27	40	45	47
Marks & Spencer (*162)	140	25	29	32	1	3	4
	160	7	14	19	3½	9	11
	180	1	5½	10	19	22	23
Britoil (*500)	420	–	–	–	1	–	–
	460	–	–	–	5	–	–
	500	–	–	–	14	–	–
Rolls-Royce (*133)	120	13½	18½	25	1½	4	7
	130	5½	12	17	4	8	11
	140	2	7	10	11	14	16
STC (*281)	260	27	36	43	3	8	10
	280	11	23	30	8	14	18
	300	3½	13	19	22	24	28
Sainsbury (*198)	200	7	14	18	5	10	12
	220	1½	5	9	22	24	26
Shell Trans. (*964)	950	40	75	92	14	25	45
	1000	14	47	62	38	52	72
	1100	2	13	24	132	132	147
Storehouse (*184)	180	14	23	28	8	15	17
	200	6	13	19	21	26	28
	220	1¼	7	13	38	40	41
Trafalgar House (*313)	280	38	42	44	2	7	9
	300	19	26	30	5	12	16
	330	3	10	15	20	30	34
T.S.B. (*102)	90	14½	17	18	1	2	3
	100	4½	8	10	2½	3½	5
	110	¼	4	5	8	9	10
Utd. Biscuits (*278)	260	24	29	36	2½	8	10
	280	10	17	25	9	17	19
Ultramar (*248)	235	25	38	46	12	18	26
	255	15	27	34	22	30	37
	275	8	19	27	36	42	50
Woolworth (*248)	220	35	45	52	2	5	7
	240	17	29	37	5	8	12
	260	6	16	23	15	20	21

Option		Calls Nov	Calls Feb	Calls Apr	Puts Nov	Puts Feb	Puts Apr
Ladbroke (*442)	390	58	67	–	2	6½	–
	420	31	44	51	9	14	17
	460	10	23	30	30	35	37

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*478)	420	69	83	95	3½	7	12
	460	35	54	62	10	18	27
	500	14	30	40	31	37	43
BAA (*258)	255	12	–	–	5	–	–
	260	–	17	25	–	13	15
BAT Inds (*438)	390	58	71	78	2	5	10
	420	33	49	55	8	14	19
	460	11	25	32	28	32	40
Brit. Telecom (*242)	240	11	18	23	7	11	14
	260	3	8	14	20	24	25
Cadbury Schweppes (*373)	360	35	50	60	14	22	29
	390	19	35	44	30	38	43
	420	10	23	32	53	57	60
Guinness (*318)	300	26	38	44	5	8	11
	330	8	20	26	16	20	24

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
LASMO (*544)	500	63	88	105	25	40	48
	550	37	60	77	45	60	67
	600	19	40	52	75	85	85
P. & O. (*579)	500	78	85	93	4	7	12
	550	30	48	57	12	20	30
	600	8	23	30	43	47	57
Pilkington (*210)	180	34	37	42	2	3	5
	200	17	22	28	5	9	11
	220	5	12	17	15	19	20
Plessey (*160)	140	23	27	32	1½	4	6
	160	9	14	20	8	12	15
	180	3	7	11	23	24	25
Prudential (*155)	140	–	23	26	–	3	5
	150	10	–	–	3	–	–
	160	5	9	13	9	11	14
Racal (*296)	280	29	42	50	7	13	18
	300	18	30	37	18	24	28
	330	7	20	26	37	44	47
R.T.Z. (*438)	390	60	72	85	4	10	14
	420	37	57	65	14	20	27
	460	16	34	43	32	40	50
Vaal Reefs (*$61)	60	7½	12	13	4	7	11
	70	2½	6	8½	10	13	18

Option		Calls Sep.	Calls Dec.	Calls Mar.	Puts Sep.	Puts Dec.	Puts Mar.
Amstrad (*214)	200	17	24	35	½	8	11
	220	1	14	26	7	17	18
Barclays (*412)	395	18	35	–	1	11	–
	420	–	–	32	–	–	33
Beecham (*466)	460	7	27	43	1	18	22
	500	½	10	24	36	43	45
BTR (*295)	280	16	27	38	½	6	8½
	300	½	14	24	6	12	17
Blue Circle (*439)	390	49	62	74	1	4	9
	420	19	36	52	2	11	18
	460	1	18	32	24	30	34
Dixons (*151)	140	13	20	26	½	5½	7
	160	½	9	16	10	16	19
	180	½	4	8	30	32	32
Glaxo (*1041)	1000	43	69	107	½	30	45
	1050	1½	–	–	12	–	–
	1100	½	25	60	62	88	97
Hawker Sidd. (*519)	460	60	71	88	1	5	7
	500	20	42	60	1	15	22
	550	1	18	32	31	43	50
Lonrho (*345)	330	–	44	53	–	22	33
	360	–	30	41	–	40	51
Midland Bk (*430)	420	10	32	42	1	12	20
	460	1	10½	17	32	36	45
Sears (*131)	120	12	19	25	½	6½	8½
	130	2	14	20	¼	10½	14½
	140	¼	10	15	10	17	18½
Tesco (*132)	130	4	11	17	1	7	9
	140	½	7	12	8	13	14
Trusthouse Forte (*263)	240	25	37	43	1	6½	14
	260	5	23½	32	1	14	24
	280	1	14½	21½	17	25	34
Thorn EMI (*632)	600	33	57	67	1½	14	22
	650	1	25	40	23	37	47
	700	½	12	22	72	77	80
Unilever (*461)	420	42	52	64	¼	4½	8
	460	2	23	38	2	17	23
	500	¼	8½	19	39	42	46
Wellcome (*502)	500	4	30	46	2½	22	28
	550	½	12	26	50	56	60

Option		Calls Sep.	Calls Dec.	Calls Apr.	Puts Sep.	Puts Dec.	Puts Apr.
Boots (*211)	200	11	21	28	½	9	12
	220	½	9	17	10	20	22
	240	½	5	10	30	34	36

Option		Calls Oct.	Calls Jan.	Calls Mar.	Puts Oct.	Puts Jan.	Puts Mar.
British Gas (*170)	170	4½	–	–	4½	–	–
	180	1½	6½	8½	12	13	15

Option		Calls Sep.	Calls Nov.	Calls Jan.	Puts Sep.	Puts Nov.	Puts Jan.
RHM (*378)	330	49	63	70	1	7	11
	360	19	40	58	1	14	19
	390	1	24	33	13	28	34

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Conv. 9½% 2005 (*100)	98	2[illegible]	3¼	–	[illegible]	[illegible]	–
	100	1[illegible]	2[illegible]	–	[illegible]	1[illegible]	–
	102	[illegible]	1[illegible]	–	2[illegible]	2[illegible]	–
Tr. 12% 1995 (*108)	106	2[illegible]	2[illegible]	–	[illegible]	[illegible]	–
	108	[illegible]	1[illegible]	–	[illegible]	1[illegible]	–
	110	¼	[illegible]	–	2[illegible]	2[illegible]	–

Option		Calls Sep.	Calls Oct.	Calls Nov.	Calls Dec.	Puts Sep.	Puts Oct.	Puts Nov.	Puts Dec.
FT-SE Index (*1815)	1650	168	180	180	187	½	6	9	13
	1700	118	130	135	143	½	8	15	21
	1750	68	85	94	105	1	15	27	33
	1800	19	46	59	73	3½	28	40	50
	1850	1	19	35	46	38	57	65	75
	1900	½	6	17	25	88	90	100	107
	2000	½	1	3	–	188	190	188	–

September 28. Total Contracts 56,763 Calls 43,400 Puts 13,363
FT-SE Index Calls 5050 Puts 1945
*Underlying security price.

INTL. CAPITAL MARKETS AND COMPANIES

Reports of large dollar issue subdue sentiment

By Dominique Jackson

REPORTS OF an imminent substantial new dollar straight issue compounded the problems of the primary Eurobond market yesterday and only a handful of non-US dollar issues emerged.

Dealers said the recent heavy volume of new paper was subduing sentiment while few syndicate teams were prepared to issue any new US dollar deals ahead of the anticipated launch, possibly later today, of a major deal for Italy.

The most recent dollar straights were struggling slightly today as the Treasury market showed an easier bias. The recent $600m deal for the province of Alberta slipped to trade just outside its fees as many semi-professional dealers, trading purely on the basis of issue yield spread, started to sell off some paper. The deal initially found its way to many of these intermediate accounts and only around 20 per cent of the deal was reported to have been taken by genuine end-investors.

The Alberta deal was issued at the same time as an identical bond for the Japan Development Bank which carries a higher credit rating and could possibly have attracted more immediate retail investor demand if it had carried a marginally higher coupon.

Specific non-dollar sectors continued to see selective but steady demand yesterday, particularly the Canadian dollar market which saw a successful new deal. UBS Securities was the lead manager on a C$75m three-year issue for a financing vehicle of CERA, the largest

INTERNATIONAL BONDS

co-operative Belgian savings bank.

The borrower has a high profile among European retail investors who continue to exhibit a healthy appetite for the Canadian dollar sector. Although the borrower is not widely known outside the Benelux area, it has already issued two well-received deals, one in Ecu and one in Australian dollars earlier this year.

NatWest Australia tapped the Australian dollar sector with a A$50m three-year issue carrying a 13¾ per cent coupon and priced at 101½. The issue, which was led by County NatWest, carries the guarantee of the parent bank which has a triple-A rating.

However, the timing of the issue took many dealers by surprise as the secondary Australian government and Eurodollar markets had taken a knock overnight following badly received Australian trade figures.

Nevertheless, the new deal ended the day quoted bid at a discount of 1¾, well within total fees. The lead manager said the timing of the issue had been carefully considered in the light of the secondary market tumble, but it decided to proceed with the launch as several pockets of specifically Continental retail demand for the deal had already been located.

The lead manager pointed out that the issue offered a ¼ point premium over the recent issue for Barclays which initially found strong demand, although it slipped outside its fees following an increase up to A$100m. NatWest did a similar issue last month carrying a 13¾ per cent coupon which was exceedingly well received.

Deutsche Bank (Suisse) led a SFr100m equity warrant issue for a Luxembourg unit which is exercisable into warrants of Continental, the West German rubber company. Continental had a rights issue just before the stock market crash which subsequently foundered, leaving much of the issue still on the books of the banks and this deal will provide a kind of option on these shares.

The Deutsche Bank issue was extremely well-received and was quoted by the lead manager trading at a premium of 1¼.

Property debenture from Land Securities

By Our Euromarkets Staff

LAND SECURITIES, the UK property development firm, has issued a partly-paid £200m first mortgage debenture due 2030, the company's first borrowing of this type since April last year.

J. Henry Schroder Wagg and Co is underwriter.

The debentures, secured by properties, use a novel feature that allows the company greater flexibility in the timing of its issue.

Because debentures secured by mortgages require a lengthy and complicated procedure to insure a clear title to the properties, delays can occur between the time an issue is designed and its time of launch. In this case, Land Securities will use cash as an interim security until clear title to the properties can be confirmed.

The securities pay interest at 60 basis points over the gross redemption yield of the UK Treasury's 13½ per cent stock due 2004/2008. The price of the securities was set yesterday at 97.336 per cent of face value, equal to a gross redemption yield of 10.274 per cent.

The securities, which carry no credit rating, are 30 per cent payable now with the remainder to be paid for on January 31, 1989.

Proceeds from the financing will be used to fund Land Securities' development activities. Since March 31, 1988, new capital spent or committed for acquisitions and related development schemes totals £120m.

With continuing work at sites in London and in the provinces, construction is now under way at Land Securities' entire development programme for offices totalling 1.2m sq ft and for 450,000 sq ft of shopping space.

Agreement has been reached for the acquisition of a key freehold site in the City of London that would increase the development potential of other adjacent properties also owned by Land Securities.

Saudi broadens development bond sector

By Finn Barre in Riyadh

SAUDI ARABIA has made a start on broadening its market for "development bonds" by allowing its banks to sell directly to individuals as well as private corporations.

When the kingdom first began making twice-monthly SR1.5bn ($400m) offerings of development bonds this summer, the only customers were the Government's general organisation for social insurance, and the civil service pension fund. After that, the bonds were sold to the local banks at rates tied to US Treasuries.

The banks were not particularly enthusiastic about the bonds, mainly because there was little or no secondary market The next marketing initiative taken by the Saudi Arabian Monetary Agency was to permit banks to include the bonds in their mutual funds portfolios.

Semi-public funds, such as the Arabian American Oil Company (Aramco) pension fund, were also permitted to buy the bonds.Two weeks ago, the agency gave the go-ahead to the kingdom's 12 commercial banks to sell bonds directly to their customers.

The minimum purchase is SR1m ($266,666).

"This is definitely a move to try and increase sales," said one banker. "The banks alone cannot take all of these things."

NZFE may widen foreign membership

By Our Financial Staff

THE NEW ZEALAND Futures Exchange (NZFE) is considering allowing full membership rights for foreign companies without local subsidiaries.

At present, local subsidiaries of foreign entities are allowed to take an exchange seat, but those who do not have a locally-incorporated unit are prevented from joining.

Mr Lincoln Gould, the exchange's marketing manager, said: "We could drop the qualification of New Zealand residency," adding that members could vote on the issue before the end of the year.

National Bank Of New Zealand, part of the UK Lloyds Bank group, and Citicorp New Zealand currently represent foreign-owned institutions with trading rights on the NZFE.

Exchange officials expect companies from Australia to show interest in joining the NZFE.

The number of full trading members is presently restricted to 17. There are also 22 affiliate members who are required to deal through a trading member.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kotobukiya Co.♦	100	(5)	100	1992	2¼/1½	Nikko Secs (Europe)
AUSTRALIAN DOLLARS						
NatWest Australia♦	50	13¾	101½	1991	1½/1	County NatWest
CANADIAN DOLLARS						
Cerinvest♦	75	10¼	101.4	1991	1⅜/⅞	UBS (Secs)
SWISS FRANCS						
EIB★★♦	100	4½	100¾	1992	1¼/1½	SBC
Deutsche Bk (Lux)(a)♦	100	4½	(120)	1993	n/a	Deutsche Bank (Suisse)
Final terms fixed on:						
Mitsubishi M.& C.(b)★★§♦	100	½	100	1994	n/a	Credit Suisse
Kasai Kogyo Co.★★§♦	40	3	100	1994	n/a	Handelsbank NatWest

★Not yet priced. ★★Private placement. ♦With equity warrants. §Convertible. ♦Final terms. a) With warrants to buy shares of Continental Ag between Nov.1988 and Nov.1991 at exercise price of DM250. b) Put option fixed: 31/3/91 at 108¼ to yield 3.723%.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 28

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	93⅞	94⅛	−0⅛	0	9.58
All Nippon Air 9⅛ 97	100	†95⅛	95⅝	−0⅛	+0¼	10.18
Amer. Brands 8⅞ 92	150	†96⅞	97⅜	−0⅛	−0⅞	9.79
A/S Eksportfinans 7⅝ 93	100	†93⅜	93⅞	−0⅛	−0⅛	9.21
A/S Eksportfinans 7¼ 92	150	94	94½	−0⅛	0	9.32
Barc. Bk. Fin. 10⅛ 89	200	†101	101½	−0⅛	+0½	9.05
B.F.C.E. 7 92	150	93⅛	93¾	0	0	9.22
British Telecom 7⅝ 96	250	90⅛	90⅝	−0⅛	0	9.39
Cal.Natl.Telecom 8½ 93	160	†96⅞	97⅜	−0⅛	−1⅛	9.30
Canada 9 96	1000	98¼	98¾	—	—	9.27
Canadian Pac 10¾ 93	100	†102½	103½	0	0	9.89
C.C.C.E 7⅛ 91	113	†94⅜	94⅞	−0⅛	+0⅝	9.20
C.C.C.E 9¼ 95	300	98⅝	99⅛	−0¼	−0½	9.47
C.N.C.A 7¼ 91	150	94⅛	94⅝	−0⅛	−0⅜	9.33
Credit Lyonnais 9 91	200	99½	100⅛	−0⅛	−1⅛	9.07
Credit National 8¼ 93	200	95⅞	96⅜	−0⅛	−0¼	9.31
Credit National 7⅞ 92	100	94⅛	94⅝	−0⅛	−0⅝	9.27
Credit National 7¼ 91	150	94⅛	94¾	−0⅛	−1¼	9.28
Denmark 7⅛ 92	500	93¼	93¾	−0⅛	−2	9.40
E.E.C. 7 91	100	94⅛	94⅝	0	−0½	9.10
E.E.C. 7¼ 93	250	92¾	93¼	−0⅛	−0⅜	9.22
E.E.C. 8 90	350	98	98⅜	−0⅛	−0¼	9.13
E.I.B. 7⅝ 93	100	93¼	93¾	−0⅛	−0½	9.24
E.I.B. 9⅜ 97	150	99½	100⅛	−0¼	−0⅜	9.41
Elec. De France 9 98	200	96⅜	96⅞	−0⅛	−0⅛	9.54
Finland 7⅞ 97	200	90⅛	90½	−0⅛	−0¼	9.61
Finland 7½ 93	200	92⅝	93⅛	−0¼	−0⅝	9.36
Finn.Exp.Cd. 8½ 92	200	97⅜	97⅞	−0⅛	−0¼	9.30
Ford Motor Credit 8 91	250	97⅛	97⅝	0	−0⅝	9.19
Gen Elec Credit 10¼ 00	200	100¼	100¾	0	−0⅛	10.16
G.M.A.C. 8 89	250	99	99⅜	+0⅛	−1⅛	0.09
Gen.Mtrs.Corp. 9⅛ 92	200	99⅛	99½	−0⅝	−0⅝	9.35
Halifax BS 9½ 93	200	†99½	100	0	−0½	9.54
Hoesch 8¼ 97	100	†92⅝	93⅛	−0⅛	−1⅞	9.49
Italy 9 90	1000	100⅛	100⅝	+0⅛	−1¼	8.78
L.T.C.B of Japan 8 91	100	97⅛	97½	0	−0½	9.11
L.T.C.B.of Japan 8 97	200	89½	90	−0⅛	−0⅝	9.85
Mercds-Benz Cd. 8½ 95	100	†96⅜	96⅞	−0⅛	+0⅛	9.20
Metropolis Tokyo 9½ 93	200	100⅝	101⅛	−0⅛	−0⅝	9.22
Morgan Guaranty Tst. 7 90	150	97⅛	97½	−0⅛	−1½	9.05
Norway 8¼ 93	500	98⅛	98⅝	−0¼	−0⅜	9.19
Pepsico Inc 7⅞ 93	200	†93⅜	93⅞	+0⅛	0	9.11
Portugal 8¼ 91	300	97	97⅜	−0⅛	−1⅞	9.56
Prudential Crp. 8¼ 94	125	98	98⅜	−0⅛	−0⅛	9.17
Qantas Airways 10⅜ 95	140	103⅜	104	−0⅜	−0⅝	9.61
Saskatchewan 10¼ 92	100	103¾	104¼	−0⅛	−0¼	9.29
State Bk S Aust 9¼ 93	100	98⅞	99⅜	−0⅛	−0⅛	9.47
Swed Exp Cred 7¼ 91	100	†94¼	94¾	0	−0¼	9.29
Swed Exp Cred 10 92	100	†101⅝	102⅛	−0⅛	−0⅜	9.34
Sweden 7 91	250	94½	95	0	−0½	9.06
Sweden 7 92	250	†93⅝	94⅛	−0⅛	0	9.16
Sweden 8¼ 96	200	95⅞	96⅜	−0¼	−0⅝	9.48
Sweden 8½ 92	200	†98⅛	98⅝	−0⅝	−0⅜	9.00
Victorian Rep 11⅛ 92	150	106⅛	106⅝	−0⅜	−0⅜	9.41
World Bank 7 92	300	†93¾	94¼	−0⅛	−0⅜	9.14
World Bank 9 97	*300*	*97½*	*98*	*−0¼*	*−0⅛*	*9.38*
Yasuda Trust Fin 8½ 93	100	95¾	96⅜	−0⅜	−0¼	9.57

Average price change... On day −0⅛ on week −0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	100⅝	101⅛	−0⅜	−0⅜	5.82
Avis Fin.SVS 5⅞ 92	100	100	100½	−0⅛	−0⅛	5.78
Bank of Tokyo 5¼ 93	100	99¾	100¼	+0½	0	5.74
Central BK. Turkey 7 92	200	102½	103	0	0	6.20
Commerzbank o/s. 5⅜ 93	300	99¼	99⅝	0	+0⅛	5.50
Degussa Int. 6⅛ 97	200	98¾	99¼	0	+0⅛	6.27
E.I.B 5½ 98	150	96	96½	0	−0⅛	6.02
E.I.B 6 97	300	99½	99⅞	+0⅛	−0⅛	6.03
E.I.B. 6⅛ 96	300	100⅞	101¼	0	−0⅛	5.96
E.I.B. 6⅛ 97	400	100¼	100⅝	+0⅛	−0⅛	6.06
E.I.B. 6⅞ 95	300	105	105⅜	0	+0⅛	5.95
Euro.Coal& Steel 5⅞ 97	175	98⅝	99	+0⅛	−0⅛	6.06
Eurofima 6¼ 96	100	102¼	102¾	−0⅛	+0⅝	5.83
Elec De France 5¾ 97	300	97⅝	97¾	+0⅝	+0⅛	6.10
Forsmark Krtg. 5⅛ 93	200	97½	98	0	−0⅛	5.71
I.A.D.B. 6 97	200	99	99⅜	−0⅛	−0⅛	6.13
Japan Dev. Bk. 5⅜ 95	300	†96⅝	97⅛	−0¼	−0½	5.96
Japan Finance 5¾ 97	100	96⅝	97	0	0	6.25
Ireland 6½ 97	300	99⅞	100¼	0	0	6.49
Korea Dev BK 6⅝ 93	100	101⅜	101⅞	+0⅛	+0⅜	6.20
Malaysia 6¼ 94	150	99⅝	100⅛	+0⅛	+0⅛	6.27
Nat. West BK. PLC 6 98	300	†96¾	97¼	−0¼	0	6.42
Nippon Telg.&Tel. 6 95	400	†100⅝	100¾	−0⅛	+0¼	6.04
Oesters. Kontbk. 5 93	300	97⅝	98⅛	0	0	5.56
Portugal 5¾ 92	150	100¼	100¾	+0⅛	+0⅜	5.60
Portugal 6⅝ 95	150	101⅞	102⅜	+0⅛	+0⅛	6.23
Privatbanken 5¼ 93	150	96⅞	97½	0	+0⅛	5.97
Royal Insurance 5½ 92	300	99¾	100¼	−0¼	0	5.49
Soc Cent Nuclear 7¼ 95	150	103½	104	0	0	6.54
Turkey 6½ 95	500	†98	98½	0	0	6.83
Westlb. Finance 5 93	200	*†97¼	97⅝	0	0	5.65
World BK. 6¼ 97	600	100⅞	101¼	+0⅛	−0¼	6.01

Average price change... On day 0 on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101	101½	−0⅜	−0⅜	4.80
Asfinag 5 03	100	†100¾	101	−0⅛	−0⅛	4.91
B.F.C.E. 4½ 98	200	†98	98¼	0	+0¼	4.74
B.M.W.Fin.Neth. 5 13	150	†95¼	95½	+0⅛	+0½	5.34
Britannia B/S. 4¼ 94	100	†97½	98	0	0	4.70
CIR. Int. W/W 3 93	125	†100	101	+0¼	−1	2.95
Credit Lyonnais 4¾ 00	100	†97¼	98	−0¼	−0¼	5.02
E.I.B 4⅝ 98	150	†99½	99¾	0	+0¼	4.67
Fletcher Chall. 4⅞ 98	150	†96½	97	0	0	5.31
Kobe City 4⅝ 98	150	†98¾	99	+0⅛	+0⅛	4.77
Leeds Perm. B/S. 4⅛ 93	200	†98½	99	0	0	4.43
Malaysia 5¼ 98	100	†98¾	99	0	+0¼	5.40
Maxwell Comm.Grp. 5 95	150	†102½	102¾	0	0	4.53
Nationwide Ang.B/S. 4 93	200	†96¾	97¼	−0⅛	0	4.72
Nippon Telg.&Tel.4¼ 95	200	†99	99½	0	−0⅜	4.38
Oesters.Ktbk. 5 03	75	†99¼	99½	0	−1¼	5.06
Rep.National Bk. 4 93	150	†96½	96¾	+0⅛	+0¼	4.38
Thailand 4⅝ 95	200	†95½	96	0	+0⅝	5.39
World Bank 5 03	150	†99¼	99½	0	+0¼	5.06

Average price change... On day +0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	101¼	101½	0	+0⅛	5.00
Belgium 4⅞ 94	45	96⅝	97	+0⅛	+0⅛	5.27
Canada 4⅜ 92	80	98⅛	98⅝	+0¼	+0¼	4.89
Elec. De France 5⅛ 94	20	99⅜	99⅞	0	+0⅛	5.20
Ireland 5⅛ 93	30	99¼	99¾	+0⅛	+0⅛	5.24
Norway 5⅛ 95	50	99	99⅜	+0⅛	+0¼	5.28
Rep. of Italy 5¾ 92	150	102½	102¾	+0⅛	+0¼	4.88
Sweden 4⅞ 93	50	98	98¼	+0⅛	+0⅛	5.88
World Bank 5½ 92	50	102⅛	102⅝	0	+0⅛	4.86

Average price change... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS.10⅛ 93 £	50	98½	99⅛	−0⅛	+0⅞	10.59
Alg. Bk. Ned. 5½ 92 FL	150	97¾	98¼	0	+0⅛	6.16
Amro Bank 6¼ 92 FL	150	100¼	100⅞	0	−0⅛	6.10
Aust.Ind.Dev. 12⅞ 93A$	100	97½	98	−0⅛	−0½	13.50
Barc. Bk. 10¼ 97 £	250	95¾	96¼	−0¼	+1	10.95
BP Capital 9⅞ 93 £	100	96½	97	−0⅛	+0⅛	10.65
British Airways 10 98 £	100	93⅞	94⅜	−0⅛	+0⅞	11.01
C.I.B.C.Mort.10¾ 93 C$	100	†98¾	99¼	0	−0⅛	11.01
Comm.Bk.Aust. 12⅝ 93A$	100	96¾	97¼	0	−0⅛	13.44
Coop.Ctr.Rabo.6¼ 93 FL	100	100¼	100¾	0	0	6.10
Coop.Ctr.Rabo.6 92 FL	200	99¾	100¼	0	0	5.99
Denmark 7⅞ 92 ECU	*100*	*101*	*101½*	*0*	*+0¼*	*7.29*
Dixons 11 95 £	90	†98⅛	98⅝	−0¼	+0⅝	11.49
Deutsche Bank 9⅞ 97 £	75	†93⅞	94⅛	−0⅜	+0⅝	11.00
Deut. Bk.Aust.12¾ 95 A$	70	99	99½	0	+0¼	12.88
Eastman Kodak 13 90 A$	100	99	99⅜	−0⅛	−0⅛	13.51
E.I.B 8⅝ 93 LF	10	100⅞	101⅞	0	0	8.25
Elec.France 10¼ 95 C$	125	†98½	99	−0¼	−0⅜	10.50
Euratom 7⅜ 97 ECU	145	96⅝	97⅛	0	0	7.88
Eurofima 7½ 92 FL	50	†104½	105¼	0	0	5.94
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†97⅞	98¼	0	−0¼	10.40
Ford Cr.Can.10¾ 93 C$	100	†100⅜	100⅞	+0⅛	0	10.53
Gillette Can. 9⅝ 93 £	70	†92	92½	−0¼	+0⅛	11.77
G.M.A.C. 9¾ 93 C$	150	†97	97½	0	+0⅛	10.50
G.M.A.C. 9¼ 92 C$	75	†94¼	95¼	0	+0¼	11.04
G.M.A.C Aus.Fin.14 90 A$	50	99⅝	100⅛	−0¼	−0⅛	13.99
Halifax BS 10⅝ 97 £	100	96¼	96½	0	+0⅞	11.06
Imp Chem Inds 10 03 £	100	†94½	95	0	+0⅛	10.71
Inv.Industry Int.10 93 £	60	96¾	97⅜	−0⅛	+0⅞	10.83
Lloyds Bank 10¼ 98 £	150	94	94½	−0⅛	+0⅛	11.24
Montreal Tst.10¾ 93 C$	100	†99⅜	99⅞	0	−0⅛	10.83
Mtge.Bk.Den. 6¾ 91 FL	100	100½	101	0	+0⅛	6.38
Nat. West.Bk.13⅛ 92 A$	50	†97½	98	−0⅜	−0¼	13.84
Nationwide BS 10⅛ 93 £	75	97⅛	97⅝	−0¼	+0⅞	10.85
Ned.Midd.Bank 6 92 FL	150	99⅜	100	0	+0⅛	6.11
New Zealand 9½ 93 £	100	95¼	95⅝	0	+0⅝	10.80
New Zealand 7¾ 93 ECU	200	100	100⅜	−0⅛	−0⅛	7.70
Oesters.Ktbk.13⅝ 94 A$	75	101	101½	−0¼	−0⅜	13.28
Prudential Fin.9⅞ 07 £	150	89⅝	90⅛	+0⅜	+1¼	10.63
Royal Bk.Scot.10⅝ 98 £	125	96⅛	96⅝	−0¼	+1⅛	11.29
Saskatchewan 9⅞ 91 C$	150	†98⅝	99⅛	+0¼	−0⅛	10.32
S.D.R. 7¼ 95 ECU	90	†99⅛	99⅝	0	−0¼	7.86
Wstd.Lb.Fin. 12½ 93 A$	*50*	*†98⅞*	*99⅜*	*−0⅛*	*−0⅜*	*12.71*
World Bank 5¾ 92 FL	100	99⅜	100	0	+0⅛	5.86
World Bank 13⅜ 92 A$	100	†100⅛	100⅝	0	+0⅛	13.20

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.42	99.47	21/01	10.99
Belgium 91 US	0	100.40	100.50	21/02	9
Britannia 5 93 £	0⅛	99.77	99.82	10/10	10.37
Chase Manhattan Crp.91 US	0⅛	99.54	99.67	22/02	8.94
Citicorp 98 US	†0¼	97.55	97.80	30/11	8.94
EEC 3 92 DM	†0	100.85	100.95	22/02	5.63
Halifax BS 94 £	.1	99.70	99.75	9/11	11.16
Invt. In Industry 94 £	0	99.93	100.03	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	99.95	100.00	13/01	10.44
Midland Bank 01 £	.1	95.00	96.00	11/02	11.41
Milk Mkt.Brd. 5 93 £	0⅛	99.84	99.89	30/09	10
New Zealand 5 97 £	.07	99.72	99.82	18/11	11.62
New Zealand 5 01 US	0	99.90	100.00	4/02	8.62
State Bk. Nsw. 98 US	.188	100.36	100.46	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.73	99.78	13/10	10.44
Woolwich 5 95 £	0⅛	99.58	99.63	21/11	11.62

Average price change... On day −0.01 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	102½	103⅛	0	24.15
Alco Health 6¼ 01 US	†7/86	26.25	102	103	−0½	7.62
Amer. Brands 7⅞ 02 US	9/87	56.7	100¼	101⅛	−0⅜	12.69
Ashikaga Bank 2⅛ 02 US	4/87	967.	126⅛	127⅞	+0⅝	2.80
Asics 5 92 DM	12/83	472.7	193⅞	194⅜	+0⅛	17.31
CBS. Inc. 5 02 US	4/87	200.	93⅜	94⅛	0	11.26
Fujitsu 3 99 US	5/84	1106.	262½	263½	−2	−2.20
Kinki-Sogo Bk.2⅞ 03 US	4/88	1069.	126⅛	128⅛	+0½	2.39
Land Secs. 6¾ 02 £	6/87	6.72	92⅜	93⅜	+0¼	11.85
MCA Inc 5½ 02 US	9/87	69.62	80	81	−0½	27.01
Minolta Camera 2¼ 94DM	2/86	1004.	99	100	+0½	23.06
Mitsubishi Bk.1¾ 02 US	9/87	3157.	107	108⅝	+2	5.33
Mitsui trust 2⅛ 01 US	10/86	1903.	121¼	123	+3⅛	5.87
Next Plc 5¾ 03 £	11/87	4.3	99¼	100¼	+0⅛	130.32
Midd Nipp.Bk.2⅞ 03 US	4/88	804.	105½	106½	+1¼	5.87
Omron Tateisi 2⅞ 02 US	4/87	1310.	197½	198½	−3¼	0.33
Primerica 5½ 02 US	4/87	66.75	66½	67½	0	57.38
Ranks Hovis 4¾ 03 £	1/88	3.5	111¼	112¼	0	2.93
Redland 7¼ 02 £	1/87	5.4	87¾	88¾	+0¼	15.27
Saatchi&Stchi.6¾ 03 £	†10/89	4.41	96½	97½	+0½	25.45
Texas Inst. 2¾ 02 US	9/87	82.87	73½	74½	0	48.67
W.R. Grace 6¼ 02 US	9/87	42.12	78⅝	79⅝	−0¼	33.33

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal acount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem = Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES AND FINANCE

Strong & Fisher in £41m bid offer

By Nikki Tait in London

BID ACTIVITY resurfaced in Britain's much-shrunken leather industry yesterday, with Strong & Fisher, primarily a clothing leather group, announcing a hostile £41m ($69m) takeover offer for Pittard Garnar.

The deal met an immediate rejection from Pittard Garnar. It said that the price offered was at an "insignificant premium" to the market price, that it saw no benefits in merging, and pointed out that the combined group would command a "substantial proportion of the clothing leather market which would be to the detriment of the leather industry."

Pittard Garnar, with a more diverse spread of activities ranging from shoe leather to gloving leather, was created by a merger last year between Pittard and Garnar Booth.

The re-emergence of corporate activity in the industry follows lengthy uncertainty in 1986 and 1987. In September 1986, Strong & Fisher made a hostile £20m bid for Garnar Booth, but was referred to the Monopolies and Mergers Commission. Mid-way through the inquiry, Strong withdrew.

In March 1987, the third quoted leather company, Pittard, agreed terms with Garnar Booth – only to see Strong & Fisher sell its Garnar stake to larger food group, Hillsdown Holdings. Hillsdown belatedly entered the bidding, but bowed out in the face of increased terms from Pittard. It still holds 15 per cent of Pittard.

Yesterday, Mr Richard Strong, Strong's managing director, said that the company had no indications whether or not the new offer for Pittard Garnar might be referred. However, he described the previous reference as the result of "an orchestrated campaign to create confusion."

If successful, Strong says that it would retain Pittard Garnar's gloving leather business and its chamois and clothing leather interests. However, it would plan to sell the bovine, shoe leather interests, and would examine the trading business.

The offer comprises three Strong shares plus £11.50 cash for every 10 Pittard. It was announced after the market closed. But with Strong down 2p at 258p yesterday, this works out at 192.4p a share or £41.4m in total. Pittard shares were 12p higher at 178p.

The bidder has arranged a £35m loan facility to fund the deal, but says that "a large proportion" would be repaid by the sale of the shoe leather interests. Strong's gearing ratio would rise to 175 per cent immediately after the deal. Mr Strong said he anticipated a reduction to 120 per cent following the sale of the bovine interests, then perhaps 50 per cent by the end of 1989.

This month, both companies announced figures – Pittard's badly hit by raw material price fluctuations. It made a £2.54m loss before tax in the six months to July 1, after exceptionals of £2.26m. Strong saw profits in the year to June 30 up 29 per cent at £7.81m but declined to break out the effect of acquisitions.

Tabacalera to buy INI food units

By Tom Burns in Madrid

TABACALERA, Spain's state controlled tobacco producer and distributor, is poised to diversify further into the agribusiness with the acquisition of food companies that currently belong to the Instituto Nacional de Industria (INI), the public sector holding company.

The Tabacalera board is likely to give the green light this week to formal negotiations with INI for the purchase of Lesa, the holding's dairy company, Carcesa, its meat producer and Fridarago, its frozen food company.

INI has been seeking a buyer for its food companies but it is anxious to avoid selling to a non-Spanish company because of increasing concern over foreign penetration of Spain's agribusiness sector.

Tabacalera branched out into the food business last year with the purchase of 49 per cent of Nabisco Brands Espana.

CGE earnings advance 21%

By Our Financial Staff

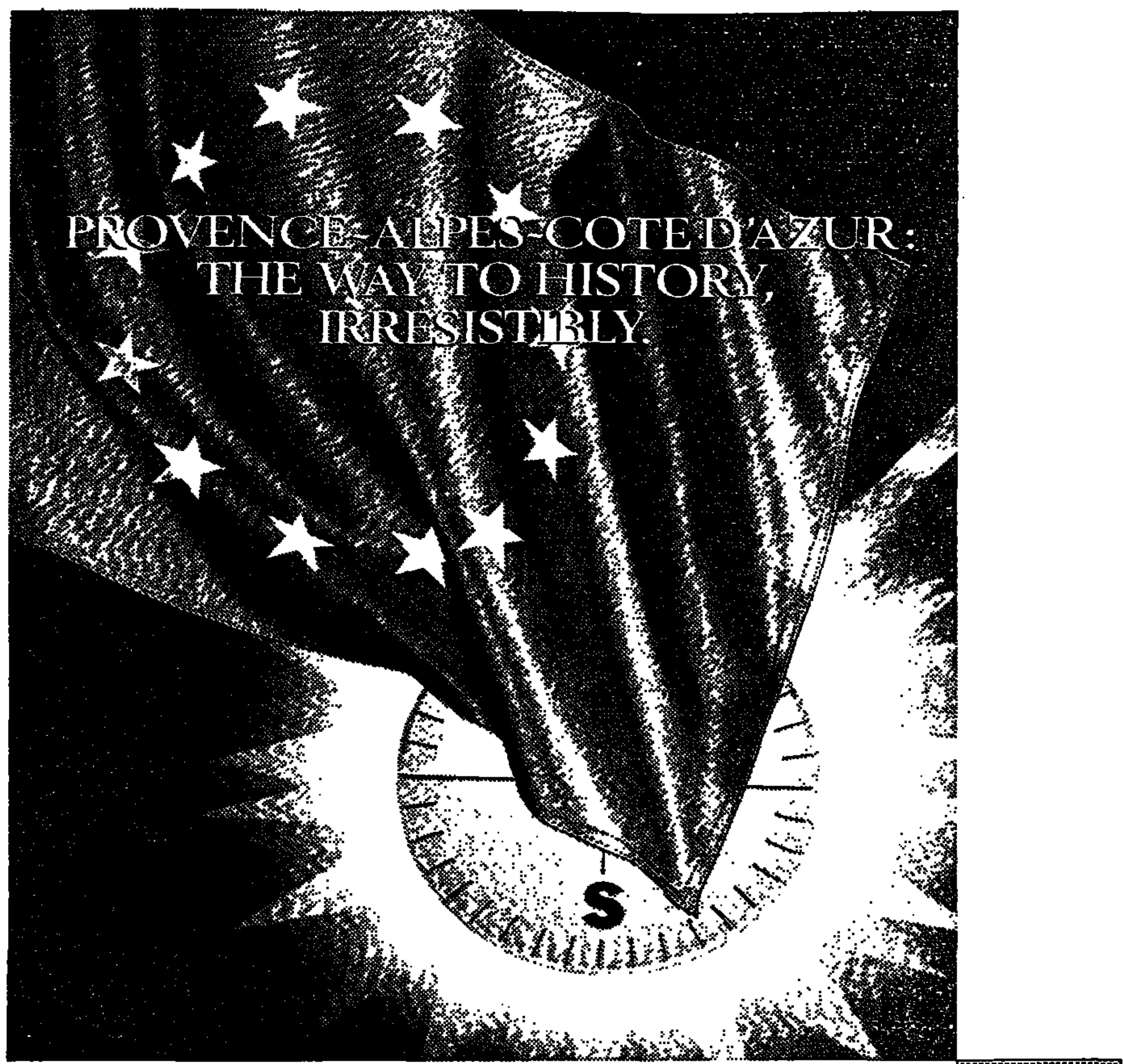
COMPAGNIE Generale d'Electricite (CGE), the French electronics and telecommunications company, yesterday reported that its earnings for the first-half of 1988 were up 21 per cent from a year earlier and predicted they would be at least as high in the second half.

CGE said its consolidated net income after payments to minority interests totaled FFr875m ($137m) for the first six months, up from FFr723m a year earlier. This outpaced the growth of revenue, which rose only 2 per cent to FFr57.9bn from FFr56.6bn over the same period.

CGE attributed the faster pace of earnings growth to its efforts to boost productivity and widen profit margins, in line with its previously stated goal to generate profit equivalent to 3 per cent of revenue by 1990.

For the first half of 1988, profit was 2.9 per cent of revenue, up from 2.3 per cent a year earlier. CGE said its margins widened most for its corporate communications, cables and telecommunications activities.

CGE predicted that for the second half of the year, when revenue growth is expected to be similar to the pace recorded in the first half, its profit-to-revenue ratio will hit its 3-per cent target figure.



ACCOUNTANCY APPOINTMENTS

UK COMPANY NEWS

Tesco up to £110m but finds City unimpressed

By Maggie Urry

TESCO, food retail group, yesterday yesterday disclosed a rise of 21.4% to £110m in pre-tax profits for the 24 weeks ended August 13 1988. But the market was unimpressed and the shares slipped 4p to close at 132p.

"This year has not been one of the more exciting ones," admitted Mr David Malpas, managing director, referring to like-for-like sales growth in the period of 5 per cent, which included inflation of between 3 and 3.5 per cent.

Group sales in total rose by 15.7 per cent to £2.1bn, excluding VAT, reflecting the rapid development programme as well as the takeover of Hillards a year ago. Operating margins were up from 4.4 per cent to 5 per cent. However, shaply reduced interest receivable – £2.3m against £9.6m – ate into profits.

The stock market has come to expect more than 1.5 to 2 per cent volume growth from superstores, although Mr Malpas argued that this was the sort of rate seen in the second half of Tesco's last financial year and summer is always a dull time.

But analysts are concerned about fierce competition within the sector and the possibility that the market will go ex-

Ian MacLaurin – desire for a classless store.

growth.

Mr Ian MacLaurin, chairman, said that the £1bn investment programme over the next three years would mean that "Tesco will remain in a dominant position in superstore retailing" in the 1990s.

He was encouraged by research suggesting the group had more customers in the 20-35 age group than any of its rivals, and that the shoppers range through all social classes. "We want Tesco to be a classless store," he said. He was particularly pleased that a recent survey voted Tesco supermarket of the year for wine.

Tesco believes that it can find a lot more expansion yet through new store openings. Mr Malpas suggested there was often no impact on Tesco when a rival opened a superstore nearby.

Mr MacLaurin was equally interested in cost savings and productivity gains which could be found through the use of new technology – half the group's turnover will be scanned through electronic point of sale terminals by the end of next year – and better distribution. Between the two, savings of over £100m a year are expected by 1992.

Tesco has not yet decided whether to follow Next in providing for the interest which would be due if holders of the convertible Eurobond demanded early redemption. An annual sum of between £6m and £7m would be necessary.

Fully diluted earnings per share, excluding property profits of £3m (£2.6m) pre-tax, rose 17.1 per cent to 4.51p and the interim dividend is raised 17.5 per cent to 1.175p.

See Lex

"We are the body and they are the hand"

Hugo Dixon on the £284m bid by Cable & Wireless for Telephone Rentals

"Mercury has spent £600m setting up a telephone network. Now they want someone to use it."

Yesterday's £284m hostile bid by Cable & Wireless, Mercury Communications' parent company, for Telephone Rentals, the telephone equipment supplier, was as simple as that to Ms Judy Stewart, electronics analyst at Citicorp Scrimgeour Vickers.

Mr Gordon Owen, Mercury managing director, did not disagree: "It is important that we get right close to our customers," he said. "We are the body and they (Telephone Rentals) are the hand."

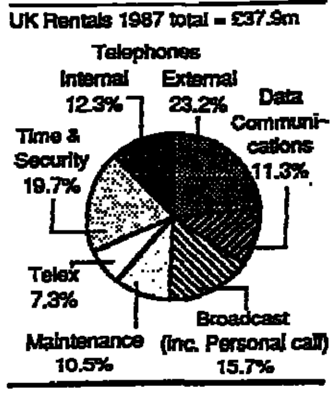
Mercury, British Telecom's only competitor for mainstream telephone services in the UK, has over the past few years built up a nationwide infrastructure and is now making a big push for customers. However, its monthly revenue of £8m – although growing fast – is still small beer compared with BT's figure of almost £1bn.

A successful acquisition of Telephone Rentals would immediately increase Mercury's customer base. It is one of the UK's largest suppliers of telephone equipment – particularly electronic private automated branch exchanges (PABXs) – to businesses.

BT is the largest supplier

Telephone Rentals

UK Rentals 1987 total = £37.9m



with over half the market, which has an annual value of £660m, according to Mr Mel Ziziros of MZA, the market research company.

Mercury's plan is to use its target's army of 800 telephone engineers to sell its telephone services. Not only does it hope that Telephone Rentals will connect new customers to the Mercury network. It also believes that the acquisition would enable it to get a larger proportion of business from those companies that are connected to both Mercury and BT.

This is because, as well as renting and selling PABXs, Telephone Rentals is also also responsible for maintenance. One of its central functions is to program the software within a PABX, which determines which network the company's calls are routed through.

Telephone Rentals' other businesses are of more varied interest to C&W. It would sell, for example, its target's South African subsidiary if the bid is successful – C&W is anxious not to jeopardise its business in the Caribbean.

Cellular and cordless telephone interests, however, are more likely to link in with C&W's ambitions.

Telephone Rentals yesterday agreed to pay £13m for the 85 per cent of Carphone Group, one of the UK's leading retailers ofcellular phone services, that it does not already own. Its advisers said there was no connection between this acquisition and the bid by C&W.

Mr Owen argues that Telephone Rentals would benefit from a link-up with Mercury, because of the changes in the PABX market that have been unleashed by liberalisation four years ago. Independent suppliers of telephone equipment, he argues, are in danger of being squeezed from two sides: by the manufacturers of equipment and by network operators.

By joining Mercury, Mr Owen contended, Telephone Rentals' future would be better secured. Mercury had been

COMPARISON OF FINANCIAL HIGHLIGHTS

	Cable and Wireless		Telephone Rentals	
	Year to end-March		Year to end-Dec	
£ millions	1988	1987	1987	1986
Turnover	932.4	912.9	106.3	97.9
Profit before taxation	355.1	340.5	19.6	17.2
Net profit	260.5	215.4	11.8	10.4
Earnings per share	24.0p	22.0p	14.06p	12.64p
Dividend per share	6.65p	5.55p	8.5p	7.75p

planning to get into the market for supplying telephone equipment for the past two years, he said. It was just a question of when and how to make its move. Mercury had now reached the required maturity to benefit from owning Telephone Rentals.

Mr Owen denied that C&W's acquisition of 2.1 per cent of Telephone Rentals' equity in August was connected to disposal that month of its 2.8 per cent stake in Racal, the UK electronics group. The sale of that stake effectively ended any ambitions C&W may have had to acquire Racal.

The choice of route into the telephone equipment supply market was, Mr Owen admitted, limited by the fact that there were few other options. The only other significant players – BT, GEC Plessey Telecommunications and Norton Telecom – were not potential takeover targets.

The other alternative would have been to build up a business from scratch. But this would have been a very slow process, particularly because of the shortage of qualified engineers, says Mr Owen.

In dismissing the C&W bid as "wholly inadequate," Telephone Rentals was not arguing against the industrial logic of the bid, according to Mr Christopher Eugster of Kleinwort Benson, the defence's merchant bank. The argument is rather that, because Telephone Rentals is "more or less unique," a higher price should be paid.

Although C&W's bid of 305p is equivalent to 21.7 times Telephone Rentals' 1987 earnings and C&W described the offer as "generous," the City seemed to be backing Mr Eugster's contention that more will have to be paid. Telephone Rentals' share price closed 124p higher at 335p.

Weak dollar hits Laura Ashley

By Maggie Urry

LAURA ASHLEY, clothing and soft furnishings retailer, yesterday reported pre-tax profits barely changed at £10.2m in the half year to end-July.

However, Mr John James, chief executive, stressed that the dollar's weakness against sterling had cut profits by about £2m. But for adverse exchange rates, operating profits would have risen in line with sales growth of 25 per cent to £116.6m.

Taxable profits, up from £10.1m last time, were also depressed by increased interest charges of £2.3m (£927,000), reflecting high capital expenditure in recent years.

Mr Peter Phillips, finance director, said balance sheet gearing would reach about 65 per cent by the year-end but would then begin to fall. Capital expenditure for the year would be about £20m compared with £28m last year.

Mr Phillips said sales growth was strong in all markets. On a like-for-like basis, including inflation, UK sales rose 14 per cent, US sales by 17 per cent, Continental European sales by 9 per cent and Australian sales by 25 per cent.

Sales continued to grow strongly in the second half in both the garment and home furnishings business.

The small Japanese business, which is operated through a joint venture, turned in a profit of £92,000

The tax charge was lower at 34 per cent due to reduced US tax rates. Earnings per share rose 4 per cent to 3.38p. The interim dividend is unchanged at 0.85p.

● COMMENT

The cost of operating in the US is severe in the short term, though not as bad for Laura Ashley as some analysts appear to think. But in the longer term efforts there ought to pay off. In the second half of this year, if the dollar stays around current levels, there should be no translation effect on profits. The groups's continuing expansion seems not to be diluting its name. Though there are probably no more sites in central London which could be made profitable, that is a fairly small part of an international business. On forecasts of £25m for the year, the prospective p/e of under 13, with the shares down 1p at 106p, preserves the groups traditional premium rating.

Hogg Robinson profits drop by 23% to £5.3m

By Nick Bunker

HOGG ROBINSON & Gardner Mountain, insurance broking group, suffered a 23 per cent drop in pre-tax profits to £5.3m in the first half of 1988 as premium rate cutting and currency factors which have plagued the sector continued to bite.

With few outside observers seeing an early end to the price war which has commenced in key sections of the US property/casualty insurance industry, Mr Jim Vaughn, chairman, said that all indications pointed to a difficult market place in the US and the UK for at least the next 12 months.

The US is significant for HRGM because it has a still-expanding retail broking network, RHR, operating in the small to medium sized commercial lines market.

Group turnover dropped only 3 per cent to £37.84m, while investment income rose from £2.39m to £2.62m.

After an extraordinary credit of only £710,000, compared with a corresponding figure of £1.7m in 1987, earnings per share were down 36 per cent at 5.43p. The group is to pay an interim dividend of 2.5p.

HRGM laid heavy stress, however, on the benefits it expects to reap from reorganisation, cost containment and rationalisation.

The group said UK expenses grew 1 per cent before exceptional items, but underlying this was a 6 per cent staff reduction. In the US, expenses were up 7 per cent, but with an underlying 6.5 per cent staff expansion, half of which was due to acquisitions.

Mr Vaughn said the reorganisation, rationalisation and recruitment would "place HRGM in a strong position to compete successfully within the industry".

The group has been continuing with a strategy of making selected small acquisitions including an independent insurance agency in Michigan bought in August, and in the UK, the purchase of the broking and Lloyd's of London underwriting agency businesses of Edward Lumley.

Illingworth Morris approached

By Alice Rawsthorn

ILLINGWORTH MORRIS, one of the largest companies in the wool textile industry, announced yesterday that it has received an approach that could lead to a takeover bid.

The company has been shrouded by bid speculation for some time. The speculation heightened when Mr Alan Lewis, chairman and controlling shareholder, recently transferred his interest to a family trust based in the Netherlands Antilles "for tax reasons."

Illingworth's share price jumped by 39p to 215p on the announcement yesterday, capitalising the company at £86m. Allied Textiles, a group with substantial interests in wool textiles and a sizable cash pile, has in recent weeks been mooted as a likely bidder.

When Mr Lewis took control of Illingworth five years ago, in a controversial takeover, the company was on the brink of collapse. Illingworth had been scarred by years of bitter boardroom battles under Mrs Pamela Mason, once a Hollywood starlet who inherited the company from her father.

Mrs Mason sold her shares to Mr Lewis, a Manchester businessman, who then mounted a bid for the remaining shares at 14¼p for the ordinary and 10¼p for the non-voting shares.

Illingworth has since been steered back to recovery after radical rationalisation. In its last financial year, to March 31, it made pre-tax profits of £9.7m on turnover of £91.2m.

Mr Lewis was not available for comment yesterday.

F W Thorpe rises 14% to £1.6m

Taxable profits of F W Thorpe, lighting equipment manufacturer, increased by 14 per cent from £1.4m to £1.6m in the 12 months to June 30. Turnover rose 13 per cent to £9.34m.

The relocation of the group's operations from Kings Norton, Birmingham, to nearby Redditch is set to take place over Christmas. Production is expected to resume early in January

After tax of £550,000 (£487,000), earnings per 10p share worked through at 34.2p (29.8p). A final dividend of 3.6p is recommended, making 5.8p (5.1p) for the year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Ashley (Laura) ....int	0.85	-	0.85	-	2.35
Bailey (Ben) ....fin	1.6	-	0.8	2.2	1.2
British Dredging........int	2.2	Dec 12	2.0	-	5
British Fittings........int	1.135†	-	1.033*	-	4.5*
BSG Int ....int	0.66†	Dec 30	0.6	-	2
CCA Pub'cations§ ....int	0.9†	Nov 25	0.9	-	3
Early's Whitney ....int	0.315	-	0.315	-	1.315
Eleco ....fin	4†	-	3.5	6.2	5.5
Epicure ....int	0.28†	Oct 30	0.25	-	0.75
Estates & Gen ....int	1.1†	-	1	-	3
Folkes Group ....int	0.35	Nov 18	0.35	-	1.6
Fosecco ....int	4.2†	Jan 3	3.5	-	10.6
Harvey Thompson ....fin	9	Nov 16	6	12	8.5
Hogg Rob & GM ......int	2.5	-	-	-	3☆
Kentish Property......int	1.5	Nov 24	–	-	2.25
Merlin Intl Prop........fin	4	-	-	4	-
Ramar Textiles ....fin	1.75	Jan 11	1.75	1.75	1.75
Randsworth Tst §.....fin	1.5†	-	1	2.5	1
Renishaw ....fin	2.3	-	1.7	3.3	2.5
Silkolene ....int	5	Jan 3	4	-	9
Star Computer ....fin	1.5	-	1.5	1.5	1.5
Tesco ....int	1.175	-	1	-	2.85
Thorpe (FW) ....fin	3.6	-	3.1	5.8	5.1
TIP Europe ....fin	2.8	Nov 21	-	2.8	-
Trafford Park ....fin	3.15	-	2.917*	4.7	4.33

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆For 9 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Adwest, Bristol Channel Repairers, Caird Group, Dowding & Mills, Frogmore Estates, Geest, Personal Computers, Prudential Bache Capital Fund, Throgmorton Dual Trust.

Finals- Boustead, Brixton Estate, CI, Capital & Regional, Clinton Cards, Halma Inns, Headlam,Sims & Coggins, Norman Hay, TV-am, United Friendly Ins, United Newspapers, Whatman Reeve Angel, World of Leather.

FUTURE DATES

Interims-

Billam (J)	Oct. 4
Conrad	Sept.30
Densitron Intl	Oct. 7
Manor National	Oct. 5
Quadrant	Oct. 5
Scottish Mortgage Trust	Oct. 20
Sound Diffusion	Oct. 4
Stylo	Oct. 3
Thermal	Oct. 6
Finals-	
Amstrad	Oct. 4
Fairline Boats	Dec. 1
Lyles (S)	Oct. 3

UK COMPANY NEWS

Recovery in sales lifts S R Gent to £3.1m

By Alice Rawsthorn

S R GENT, one of the largest suppliers of clothing to Marks and Spencer, yesterday announced that pre-tax profits had doubled to £3.1m in the year to end-June on sales up 3 per cent to £90.6m.

Gent suffered a fall in sales in the first half of the year. But Mr Peter Wolff, chairman, said that they "picked up nicely" to rise by 11 per cent in the second half.

Casualwear and children's wear both fared well during the year. The company also diversified into homeware; making cushions, curtains and bed linen for M and S. Most of these products were still at the trial stage, but Mr Wolff expected a small contribution from homeware this year.

Gent is now starting to source overseas – from Sri Lanka and the Philippines – to complement domestic production. Mr Wolff said that Gent did not envisage cutting back on UK activities, but much of the future growth would come from overseas sourcing.

Earnings per share rose to 7.4p (3.3p) and a final dividend of 1p is proposed making 1.5p (1p) for the year.

● COMMENT

For years the patchy performance of S R Gent has confirmed the City's worst suspicions about clothing companies in general, and clothing companies that are almost solely dependent on M and S in particular. This set of results, which was rather better than expected, went some way to repairing its reputation and the shares rose by 7p to 73p yesterday. Gent's margins – at 5 per cent – are still rather low at a time of such intense competition in the clothing sector. And it can not rely on freezing capital expenditure to cut costs indefinitely. The priorities for the present year are to hold costs and bring down borrowings. Gent's past performance has been so erratic that profit forecasts are difficult. There is no reason to doubt that its recovery will not continue this year. But the City will want to wait for further proof of revival before treating the shares to a re-rating.

Raider's shadow shakes up Lonrho

David Waller on the events which have unsettled the conglomerate's share price

YET AGAIN, Lonrho has found itself at the centre of a storm of allegation and counter-allegation.

This time, the dispute is not, as it was in 1973, about whether Mr "Tiny" Rowland should stay on as chief executive of the international industrial and trading group, or indeed about whether the Al Fayed brothers deserved to acquire House of Fraser, but whether Mr Rowland and his fellow directors should have pondered in public about management buy-outs, asset sales and the company's true break-up value.

The latest rumpus began last Friday, days after Mr Asher Edelman, a US corporate raider, was unmasked as the mystery buyer whose stake-building has helped drive Lonrho's shares up by more than a third since the beginning of August.

The Reuters news service carried an interview with Mr Paul Spicer, a Lonrho director, in which he said he would not rule out a buy-out or disposals of key assets. "If shareholders want us to break the company up and release six pounds a share," he said, "the best team in the world for selling the assets is the Lonrho board."

His comments caught market makers on the hop, and the shares jumped 38p to 342p. The Stock Exchange insisted on a formal statement on its company news service, the normal conduit for price sensitive information. It repeated the kernel of this information, but Mr Spicer later conceded that a management buyout was a "non-starter."

"Absolutely outrageous," commented one analyst at the time. "Never have I seen anything like it in a Footsie stock." But the fun and games continued on Sunday, when the Observer, a Lonrho-owned newspaper, ran an interview with Mr Rowland in which he claimed that the true value of the conglomerate was 800p a share, or £4bn in total. This compares to a value of about 300p a share put on the group by Kitcat & Aitken, London stockbroker.

This time, the market failed to react. On Monday, the shares edged up only 3p to 345p. But the Stock Exchange again had words with Lonrho, and the Al Fayed brothers wrote to the exchange. They claimed that "because of these extraordinary public utterances, there is no longer an orderly market in the shares of Lonrho."

A day later, Mr Edelman's solicitors adopted the same tone in a letter to Lonrho which claimed that the various statements to the press had caused massive instability in the share price. Lonrho refused to respond to the letter yesterday, and Mr Edelman said he would be contacting the appropriate authorities.

Under Section 5 of the Stock Exchange's Yellow Book, a listed company should notify – via the official news service – any development which could have a material effect on its share price. The ultimate sanction for failure to do so is a suspension of dealings in the company's shares, or even a complete delisting. There are more severe, criminal, penalties for making misleading statements contained within the as yet untested Section 47 of the Financial Services Act.

There is no doubt that Mr Spicer's statements moved the share price last Friday, but whether the way in which they did so was improper, will in time be determined.

"It's not so much the substance of what Lonrho has said that is unusual," said one broker yesterday. "After all, company chairmen are always saying that sort of thing over lunch. It's the panache, the style with which it was done, that has got everybody jumping up and down."

Mr Bob Carpenter of Kitcat expressed surprise at the extent to which Mr Spicer's comments succeeded in electrifying the share price last week. He believes that the chances of a management buy-out or substantial asset sales are slim.

"Tiny has been in charge of the company for 27 years. He likes doing deals. His board is totally supportive, and his shareholders are loyal. More to the point, he is 70 years old. It makes no sense for him to mortgage himself up to the hilt at that age. At the moment he is an extremely wealthy man – his 15 per cent stake in Lonrho alone is worth £240m – and there's no reason why he should abandon all that now, making himself beholden to other people for the first time in a quarter of a century."

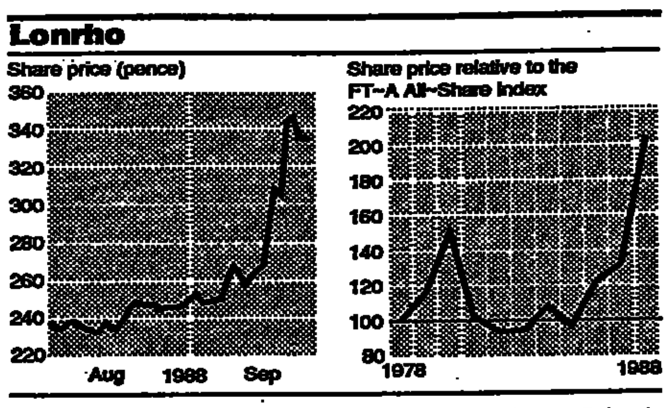
Mr Rowland is rumoured to have helds talks yesterday with Mr Michael Price, president of Mutual Shares Corporation, a US institution which picked up the rump of the stake held by Sheik Nasser of Kuwait in late 1985, and now owns 6.7 per cent of Lonrho's shares. Mr Price has indeed let it be known that he would commit $100m (£60m) to a leveraged buy-out – but that is peanuts compared to the break-up value of £4bn suggested by Mr Rowland.

What is more, the comments from Mr Rowland and Mr Spicer have had the effect of driving the Lonrho share price upwards. What is the point of that if a leveraged buy-out is on the cards?

Lonrho's actions over the last ten days suggest that Mr Rowland is rattled. There was no obligation to disclose Mr Edelman's initial 3.79 per cent stake, although it did have the effect of pushing the price up and making it harder for Mr Edelman to top up his holding. Nor did Lonrho have to go to court and obtain a freeze order to flush out the true size of the stake, which was disclosed as 4.74 per cent on Monday.

For all the scepticism with which Mr Edelman is regarded on Wall Street, he has played the situation well so far, and is sitting on a profit of more than £20m on a holding of 21.3m shares which cost him just over £50m.

Given a mediocre record in the US, it is important for Mr Edelman's credibility as the first transatlantic "arb" to come out of Lonrho a winner. As recent events have shown, he is up against one of the toughest fighters of them all.



Foseco hits £21m despite adverse currency influences

By Vanessa Houlder

FOSECO, speciality chemicals and abrasives group, yesterday announced a 29 per cent increase to £21.1m in pre-tax profits for the first half of 1988. Turnover was scarcely changed at £259.3m.

The results suffered from the impact of the stronger pound on translation of overseas operations, which reduced pre-tax profits by £2m and turnover by £17m.

Mr Tony Chubb, chairman, said that excluding the effect of currency fluctuations and acquisitions and disposals, sales increased by 11 per cent and pre-tax profits increased by 40 per cent.

The figures were also dented by a reduction in profits from £4.3m to £3.2m in the construction and mining chemicals division. Mining chemicals suffered as a result of much lower demand from British Coal and there was a further slowing down of construction activity in the Middle East.

However, the construction chemical and timber treatment activities in the UK showed substantial growth and there was progress with the construction chemicals operation in the US, said Mr Chubb.

High demand in the metallurgical industry helped Foseco's metallurgical chemicals divisions increase profits to £13.1m (£10.6m) on turnover of £148.5m (£144.1m). The abrasives and diamond products operation also moved ahead with profits of £6m (£4m) on turnover of £71.4m (£72.5m).

The net interest charge dropped from £2.5m to £1.2m.

Gearing now stands at 6 per cent. Acquisitions made during the first half included the minority interest of the Foseco Spain subsidiary and the US Celtite subsidiary. In March, Foseco bought Detroit-based Beck Diamond Products at a cost of $6.5m.

Earnings per share increased by 47 per cent to 15.8p. An interim dividend of 4.2p (3.5p) was declared.

● COMMENT

Little by little, the City is regaining confidence in Foseco after its accident-strewn years of the mid 1980s. This reappraisal will be helped by these results which were at the top end of expectations, in spite of the toll inflicted by currency fluctuations and the poor performance of the construction and mining chemicals businesses. Thanks to cuts in overheads, new higher margin products and the shedding of some of its more commodity-style lines, Foseco has hoisted margins up from 7 per cent to 8.2 per cent. This improvement should continue although the timing of its stated goal of reaching 10 per cent remains vague and is probably dependent on the health of Foseco's key markets, such as the steel and automotive industries. Currency fluctuations permitting, the company is expected to make profits of at least £43m for the full year. That puts the shares, up 1p to 264p – following a strong run before the figures – on a rating of 9. Given a prospective yield of 6, the shares are fairly valued.

BSG International up 16% to £11m

By Fiona Thompson

BSG INTERNATIONAL, Birmingham-based motor distributor, automotive components and consumer products manufacturer, yesterday reported a 16 per cent increase in pre-tax profits to £11.03m for the six months to June 30.

Turnover rose from £271.5m to £291m, including a £20.2m contribution from the discontinued seat belt operations, sold in April for £29.5m. The profit on the disposal is shown as an extraordinary credit of £15.08m.

The bulk of turnover comes from vehicle distribution, which contributed £192.7m against £166.3m last year. The division also offers contract hire, vehicle leasing and fleet management. Vehicle profits rose from £3.76m to £4.56m.

Automotive components manufacturing sales increased to £43.5m (34.8m), with profits of £3.93m (£3.44m). Factories in Australia, France and the UK make car mirrors, lighting equipment and sun roofs.

The consumer and special products division saw a downturn in profits from £3.14m to £2.42m, on sales of £34.6m (£33.3m). This was mainly due to problems experienced by BSG's Restmor pushchair business with its major customer, Mothercare, which stopped ordering following problems with a new computer system.

On the plus side, the Rumbold aircraft equipment operation has just won a contract to provide lavatory compartments in 400 Boeing 737 jets.

Tax took £3m (£1.9m). Earnings per share rose from 3.84p to 4.02p and the interim dividend is set at 0.66p (0.6p).

● COMMENT

These results were pretty much in line with expectations and the shares closed 1½p off at 60½p last night. The Mothercare problems have been a bit of a blow to BSG in this half and, although it has moved to reduce Restmor's dependence on Mothercare from 80 per cent of turnover to 66 per cent, the difficulty has not yet gone away. On the vehicle distribution side, the margins are very poor, but the company says it is more concerned with return on capital than margins. However, it might not remain as unconcerned if a new car sales downturn materialises. Automotive components is looking healthy, with a strong order book. The City is looking for £21m for the full year, putting the shares on a prospective p/e of just under 8, not cheap.

Early's of Whitney recovers

EARLY'S of Whitney has built on the small profit of £2,000 reported at the year-end with £100,623 pre-tax for the six months to July 30, compared with a £219,504 loss in the previous first half. Turnover rose from £3.79m to £4.16m.

The directors said that domestic sales rose 16 per cent in the latest period and good progress had continued in marketing the new range of high quality bed linens.

The interim dividend is held at 0.315p on earnings per 10p share of 1.05p (3.81p losses).

Kentish Property rises to £1.97m at midway

KENTISH PROPERTY Group, residential and commercial property development company specialising in projects in east London, yesterday announced its first interim results since joining the stock market in July last year.

Profit before tax for the six months to end-June 1988 amoumted to £1.97m. Turnover totalled £14.4m and tax took £714,000. Earnings per 5p share worked through at 6.35p and, for the first time, reflect for a full period the new shares issued at the time of flotation. Directors have declared an interim dividend of 1.5p.

This compared with pre-tax profits before flotation of £1.59m from turnover of £9.2m in the corresponding period of 1987.

Mr Keith Preston, chairman, said that the strong growth rate of 1987 had continued.

UK COMPANY NEWS

Renishaw shares spurt on strong profits growth

By Clay Harris

SHARES IN Renishaw jumped by a sixth yesterday after the manufacturer of machine-tool measurement probes reported much higher than expected profits growth for the year to June 30.

At the operating level, profits soared 62 per cent to £7.02m, although the pre-tax advance – 7 per cent to £8.03m – failed to keep pace because of the inclusion in 1986-87 of an exceptional credit arising from the settlement of litigation.

Renishaw shares, closing 30p higher at 218p, were also buoyed by the company's statement that orders were considerably higher in the first quarter of the current financial year than in the same period of 1987.

A third positive factor was dividends: a final 2.3p pay-out raises the total by 32 per cent to 3.2p (2.5p). Renishaw said it planned at least to maintain the same level of dividends on share capital to be increased by a one-for-four scrip issue.

In its traditional metrology business, Renishaw reported a significant increase in turnover for both co-ordinate measuring machine and machine-tool products.

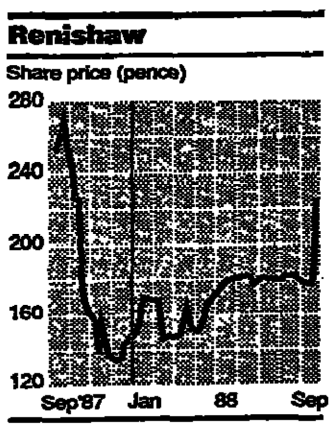
Nearly 90 per cent of sales were made outside the UK. The US, the single largest market, accounted for 35 per cent of sales. Other major markets are Japan, West Germany, Italy and France. Sterling's fall against the yen helped to offset the effect of its strength against the dollar.

The pre-tax advance from £7.51m was achieved on turnover up by 22 per cent to £28.3m (£23.1m). Net interest receipts rose to £1.01m (£797,000), and a fractionally higher tax rate lifted the charge to £2.34m (£2.15m).

Earnings per share increased to 18.48p (17.41p).

An extraordinary debit of £1.74m reflected the purchase of Rolls-Royce's 50 per cent interest in certain key patent rights as well as cost of closing its unprofitable Renishaw Controls subsidiary.

In addition to the scrip issue, Renishaw also proposes to increase the nominal value of existing shares from 5p to 20p by capitalising part of its share premium account.



● Comment

With such high gross margins, Renishaw's fortunes are directly linked to its ability to churn out sales. Once fixed costs are covered, a happily disproportionate chunk of each sale falls through to the profits line. The competitive position of most of the company's products, moreover, does not depend too much on price. This means that, even with such a huge overseas exposure, the fate of sterling makes only a marginal difference. Renishaw has also hedged its position by holding about half of its healthy cash balances in dollars. The market was especially encouraged yesterday by the good order position for new measurement products for machine-tool manufacturers, such as a laser-based interferometer. Assuming pre-tax profits of £9m, the prospective multiple of 11 looks fair value.

Confidence justified as Eleco rises to £5.41m

MANAGEMENT FORECASTS made at the interim stage for another record year at Eleco Holdings were justified yesterday when the construction, property and building products group revealed a 50 per cent jump in pre-tax profits for the year to June 30.

The taxable results, up from £3.6m to £5.41m, was achieved on turnover 40 per cent ahead at £48.05m (£34.24). Earnings per 10p share improved to 16.9p (13.2p), and the recommended final dividend is lifted to 4p for a total of 6.2p (5.5p) for the year.

An extraordinary charge of £314,000 related to the closure of the group's concrete works at Hoddesdon, Hertfordshire.

TIP Europe ahead 26% to £9.1m

By Kevin Brown, Transport Correspondent

TIP EUROPE, trailer rental group, yesterday announced a 26 per cent increase in pre-tax profits to £9.1m for the year to July 31.

The results were broadly in line with City forecasts at the time of the group's flotation on the London and Amsterdam stock markets five months ago.

Turnover was up 7.7 per cent at £34.8m. Earnings per share rose 9.6 per cent to 13.7p.

TIP said utilisation rates had risen to more than 80 per cent, partly because investment in new equipment had raised the proportion of premium trailers to 67 per cent.

The group spent £20m on new trailers last year, and expects to invest a further £30m in the current year. This should increase its fleet size from 10,000 to around 11,000 trailers.

Mr James Cleary, chairman, said he expected the trailer rental market to continue to expand in both the UK and Continental Europe.

Mr Cleary said TIP was also taking steps to improve the quality of its earnings by increasing the number of long-term contracts, which cover around 33 per cent of the vehicle fleet, and attracting more major distribution companies.

A final dividend of 2.8p is recommended.

● COMMENT

TIP has increased pre-tax profits by 91 per cent on turnover up 35 per cent since it was bought by its management for £60m in June 1986 from Gelco Corporation of the US. The key is increased utilisation, and further significant improvement looks possible in the coming year as the group continues to expand its branch network and increase the proportion of high-earning premium units. TIP's geographical spread and wide product mix offers some protection from the cyclical problems which plague other transport industries, and given the background of a fast-growing market the group looks capable of maintaining its current high rate of growth. The major area of concern is whether customers would shed rented vehicles in a recession. But structural changes in the transport market have made rental a good long term bet.

Merlin Properties tops £8m

By Paul Cheeseright, Property Correspondent

MERLIN INTERNATIONAL Properties, relaunched in June 1987 with a £38m rights issue and the linking of the Hayson interests in Australia, Enterprise Development Company in the US and Abbeygate in the UK, yesterday announced pre-tax profits for the year to June of £8.04m.

Since the relaunch the scope of the company's activities has changed radically, making invalid any comparison with the 1986-87 year.

Earnings per share during the last financial year were 18.7p and the directors are proposing a dividend of 4p a share.

The company is using earnings from the Australian side of its operations, notably from the Darling Harbour "festival marketplace" and the sale of car parks, both in Sydney, to provide cash flow for developments in the UK.

In the UK, Merlin expects soon to sign contracts for "festival marketplace" developments in Glasgow, Manchester and Birmingham, which will provide revenue after about two years. Meanwhile it has been engaged in retail warehouse developments in Dartford and Crowborough that have provided quick returns.UK earnings last year were £0.8m and are expected to double during the current year.

No investments are planned in the US until the market there improves. Nor is the company gaining any revenue from the US. Merlin is using its US links mainly as source of expertise for the development and running of "festival marketplaces", schemes which combine retail and leisure, pioneered by Mr James Rouse.

Over the last year Merlin has built up net worth of £64.9m from £7.5m. Gearing is 150 per cent.

British Dredging rises 39%

BRITISH DREDGING, ship repairer and building materials supplier, reported first-half pre-tax profits up 39 per cent from £901,000 to £1.25m.

Turnover was markedly up at £15.6m (£5.9m) and profits at the operating level more than doubled from £589,000 to £1.3m.

There were interest payments this time of £42,000 against received last time of £302,000. After tax of £354,000 (£331,000) and minorities of £48,000 (nil), earnings per share improved 49 per cent to 4.94p (3.31p). The interim dividend is raised to 2.2p (2.0p).

The company said that British Dredging Aggregates was benefiting from a very high level of demand in South Wales, its new self-discharging dredger having made a strong contribution, and BDC Concrete Products had maintained its profit levels in an expanding but competitive market.

J Thomas Edwards and Sons had made a significant contribution during the period and Avonmouth Ship Repairers, where the group's ship repairing activities were now concentrated was trading profitably.

The County of South Glamorgan (Taff Crossing) Act recently received royal assent and a sum of just over £3.2m by way of compensation has been received pending final settlement. The sum includes £2.3m in respect of the sale of the land and loss of goodwill of the business at Ferry Wharf. The balance is in respect of dismantling and relocation costs. On completion the effects of this transaction will be included in the 1988 accounts.

Octopus buys 60% stake in Budget Books

Octopus Publishing, a subsidiary of Reed International has bought a 60 per cent stake in Australian publisher Budget Books for A$6.6m (£3m).

Octopus has an option to purchase the remaining 40 per cent depending on its performance over the next three years. This would result in an additional payment of at least A$4.4m, Reed said.

The acquisition gives Octopus a major interest in each of the book publishing segments in Australia. Melbourne-based Budget Books publishes and distributes children's books.

Estates & General seeks £20m

By Graham Deller

ESTATES & GENERAL Investments, property investor and developer, plans to raise some £20.6m via an issue of 6 per cent convertible preference shares.

Mr Peter Prowting, chairman, announced the issue at the same time as reporting interim pre-tax profits of £1.34m. The issue of 21.05m shares at par will be used to strengthen the group's capital base and finance its development programme. Mr Prowting said that although the programme could be financed by debt, the effects on gearing, currently standing at about 65 per cent, could limit the group's rate of growth.

The new shares will be offered to holders of ordinary shares on a one-for-one basis and will be convertible into ordinary shares between 1992 and 2008 at an effective conversion price of 215p each – a premium of just over 11 per cent on Tuesday's close of 193p.

The Prowting Parties' have agreed to waive half of their entitlement to apply for the new shares under the offer and as a result their 50.5 per cent stake will be reduced to 42.5 per cent following full conversion of the issue.

The directors also revealed proposals to repay and cancel the 4.9 per cent cumulative preference shares.

Meanwhile, pre-tax profits for the first half of 1988 expanded by 64 per cent to £1.34m (£819,000). Property development income rose to £2.83m (£1.2m), while investment rental income was £2.01m, against £1.7m last time.

Mr Prowting said that period had seen an increase in activity throughout the group, with substantial rental growth arising from the buoyant level of tenant demand.

Tax amounted to £267,000 (£121,000). An interim dividend of 1.1p (1p) is paid from earnings per 20p share of 5p, up from 3.3p last time.

Star Computer up to £1.21m

Star Computer Group raised pre-tax profits by 12 per cent in the year to June 30 from £1.08m to £1.21m on turnover up 13 per cent from £11.31m to £12.8m. Earnings per 10p share rose by the same amount to 11.3p.

The group, which sells computer equipment and software, said growth in the size of contracts for its new accounts' system had lengthened contract lead times, so that only a small proportion of the strong order book had been reflected in the figures reported. However, it was expected to lead to substantial revenue in the current year and beyond.

Increased investment meant the group ended the year with net borrowings of £656,000, compared with net cash of £747,000 in the previous year. The borrowings represented 12 per cent of shareholders' funds.

The recommended dividend for the year is held at 1.5p.

Randsworth advances to £6.5m

By Paul Cheeseright

RANDSWORTH TRUST, the property investment, dealing and development company, yesterday met market estimates with the announcement of pretax profits of £6.49m for the year to June compared with £2.15m for the 13 months to June 1987.

Net assets per share were 225p on a fully diluted basis. The market price yesterday was 182p, a gain on the day of 3p.

Earnings per share, fully diluted were 6.23p. The final dividend is 1p, bringing total payments for the year to 2.5p compared with 1p for 1986-87.

The group, which grew quickly during the period to the stock exchange crash last October, has been noted in the property market for aggressive selling. It has succeeded in restructuring its balance sheet to the extent that gearing fell over the last year to 70 per cent from 140 per cent. Net assets were £192.9m, while current debt is between £130m and £140m. Over the current year Randsworth expects to rely on investment properties for the main source of its income, leavened by dealing and developments. Mr David Holland, the chairman, said that its net rental income would exceed interest payments. This was not the case in the financial year just finished.

Randsworth is emerging from an exercise which involved a high level of gearing to obtain a portfolio of properties largely in the West End of London. In order to avoid share issues it bought London & Provincial Shop Centres for its income flow and then geared up to buy into the West End. Once it started to build up the returns for the West End properties, it engaged in a sales programme of the London & Provincial Shop properties.

Property sales during 1987-88 came to £152m, of which £70m has been taken above the line. The rest, as investments, were taken below the line. At the same time it has replaced some of its short term financing with the issue of debentures.

Harvey & Thompson up 41% to £1.86m

Harvey & Thompson yesterday revealed a 41 per cent expansion to £1.86m in taxable profits for the 53 weeks to July 2. The pawnbroker achieved the increase on operating income up from £4.58m to £6.28m.

Mr Rupert Galliers-Pratt, chairman, said: "Our business continues to grow at a significant rate. We have a number of interesting propositions under consideration."

During the period, the group opened new branches

Tax took £676,000 (£479,000), and earnings per 20p share rose to 28.15p against 22.23p last time. A final dividend of 9p making 12p (8.5p) is proposed.

Folkes profit up despite problems with subsidiary

DESPITE A disappointing performance from Hydraroll, cargo handling systems company acquired in March, Folkes Group lifted taxable profits from £820,000 to £950,000 in the six months to June 30.

Mr Constantine Folkes, chairman of the property, engineering and furniture concern, said that Hydraroll had performed well below expectations and indications given at the time of purchase. He was confident that the problems would be resolved quickly.

All other areas of the group had met increased demand

External turnover increased to £28.3m (£26.2m), and earnings per 5p share rose to 1.98p (1.79p). The interim dividend is again maintained at 0.85p.

Turnround at Ramar Textiles

RAMAR TEXTILES managed a turnround in the second half which has enabled it to report pre-tax profits of £14,000 for the year to May 27, compared with a loss of £357,000 previously. In the first half, Ramar incurred a loss of £375,000.

The recommended dividend for the year is unchanged at 1.75p on earnings per 5p share of 0.24p (1.88p).

Ramco in the black

Continued improvement in margins and the containment of operating and overhead costs enabled Ramco Oil Services to report pre-tax profits of £150,000 for the six months to end-June.

The result compares with a loss of £125,000 at the same stage last year and marks the group's first interim profit since its USM placing in April 1984.

Turnover fell to £1.76m (£4.28m) and earnings per 10p share were 0.61p (losses of 0.87p).

Robertson link-up

Robertson Group has acquired a 20 per cent stake in Nopec, a Norwegian seismic data interpretation company, through a subscription for new shares at a cost of £775,000. It has also subscribed £862,000 for a convertible loan stock giving it the right to increase its holding to 33.3 per cent during the next five years.

The two companies plan to form joint ventures to exploit their combined databases.

Recovery trend continues as Epicure rises by 42%

By Graham Deller

EPICURE HOLDINGS, engineering and construction services group, yesterday confirmed another step in its steady recovery from the nadir of the mid-eighties.

Pre-tax profits for the six months to end-June rose 42 per cent to £1.2m (£847,000). The result compared with profits of £1.26m for the whole of 1987.

Mr Hakan Hammarqvist, who has overseen the revamping of Epicure since taking the chair in 1985, said the group continued to seek opportunities to expand existing activities and to make further acquisitions, both in the UK and continental Europe.

Almost 50 per cent of profits were earned by UK subsidiaries, Mr Hammerqvist said, while encouraging demand for the group's products and services continued in the UK and Sweden. Current sales were ahead of last year.

Turnover declined 6 per cent to £17.51m (£18.6m) due to the disposal of certain subsidiaries. Borrowings were again reduced – interest charges fell from £621,000 to £306,000 – following the sale of development land in the UK and properties in Sweden and Gibraltar. Since Epicure's year end, borrowings have been further reduced by £1m through the sale of the 50 per cent stake in Johansson och Hallgren, sheet metal fabricators, to management.

Earnings per 5p share rose to 1.74p (1.6p) and the interim dividend is lifted to 0.28p (0.25p).

Silkolene ahead by 27%

SILKOLENE LUBRICANTS, manufacturer and distributor of petroleum products, reported pre-tax profits ahead 27 per cent at £1.23m in the six months to July 2 1988. This compared with £966,000 in the corresponding period last time.

Turnover was slightly higher at £11.54m (£11.16m) and there was interest receivable this time of £96,000 (£6,000). Tax took £468,000 (£386,000) and an improved interim dividend of 5p (4p) is being paid from earnings per share up 29 per cent to 17.8p (13.8p).

Mr Richard Dalton, chairman, said the results reflected a strong domestic performance, particularly in the company's speciality products, which more than offset the reduction in exports which had been severely hit by adverse currency movements.

Despite difficult market conditions, the directors expect the pre-tax result for the year as a whole to exceed that of last year.

Allied Lyons

J. Lyons, the food division of Allied Lyons has bought a small Continental rice cakes business located in Belgium and France. Tecribel is in Belgium and Exfran, its subsidiary in France.

MANAGEMENT: Marketing and Advertising

Brian Robson, who recently captained England in an international at Wembley and whose club, Manchester United, was virtually alone in responding to a survey among clubs for details of their marketing initiatives

How some clubs are scoring own goals

Richard Donkin explains that while football teams are wallowing in sponsorship, their fans remain unmarketed

Wembley stadium managed to avoid its lowest attendance for an international soccer match when 25,837 turned up for England's recent tie against Denmark. It was a close-run thing; around 1,000 free tickets had been handed out to schoolchildren. Only three previous England games had drawn lower crowds.

The match was a far cry from the first FA Cup Final at Wembley in 1923 when a 126,047 capacity crowd poured in leaving 100,000 outside.

The faithful are less faithful than they used to be. English League attendances totalled 18m last year compared with 40m in the late 1940s.

These days the supporters are only part of the football equation with television, sponsorship, advertising revenue, and pools income becoming increasingly important to club finances.

The total sponsorship of league tournaments and clubs by commercial organisations is now worth about £20m a year – £14.4m in individual club sponsorships and £2.5m from sponsorships such as the Barclays and Littlewoods league competitions.

Club sponsorship alone – which as well as shirts may also include such items as cars for players and staff – has risen by £2.5m this year. On top of that, the clubs get £11m a year (index-linked to rise with inflation) from ITV for exclusive rights to cover league soccer for the next four years. They also get £4.5m from the pools promoters.

By far the greatest slice of their revenue, however, still comes from gate receipts; the clubs netted £63m for league games last season.

The need to court the paying supporter has never been more paramount for professional football. When the Government introduces compulsory membership schemes next season the worst estimate of the Football Association is that it could lead to attendences falling by a quarter as a result of losing occasional supporters.

In spite of this, Paul Hawkes, a London marketing agent, exposed a woeful lack of interest among clubs in the grass roots supporter. Several weeks ago he sent letters to each of the 92 clubs. Posing as a prospective supporter, he asked for details of season tickets, club membership schemes, family facilities and merchandise sales.

A third of the clubs, including Liverpool, Arsenal, Nottingham Forest and Tottenham Hotspur, did not reply. Of those which did, just over half sent back an application form for a season ticket and only two, Manchester United and Manchester City, sent an illustrated catalogue of merchandised goods.

Hawkes believes that many clubs are missing the opportunity to build a customer base – the positive side of compulsory membership schemes. An effective list of supporters, he argues, would provide data for mail shots on forthcoming matches, scope for preferential ticket prices, and mail-order of merchandise. Combining such lists could provide the foundation for a national Football League marketing data base, with valuable marketing potential for international matches.

Trevor Phillips, the league's commercial manager, has attempted to martial what he calls "the 92 cottage industries" under one marketing umbrella. He has had limited success. For the first time this season, all the clubs are sporting the league motif on their shirts. He would like to extend this to a centrally run operation, but many larger clubs are reluctant to join in anything which they suspect could subsidise the smaller clubs.

This lack of collective action has led to a counterfeiter's paradise; according to one merchandising company, a very large slice of merchandise is creamed off by unlicensed suppliers. The clubs show little interest in taking them to court.

"At present, if a company wants to sell a range of key-rings bearing the emblems of first division clubs it must negotiate separate terms with each of the 20 clubs. Invariably they don't bother; they just pirate the stuff," says Phillips.

In an attempt to drag the clubs out of a marketing Stone Age, the league held a number of seminars in the close season and circulated a portfolio giving guidance on promotion to all the clubs. A similar pack is to be prepared on sponsorship.

A new league magazine called Business News lists examples of good marketing practice, such as the establishment of an increasingly sophisticated mailing list at Watford, and a successful lottery operation at Crystal Palace.

The league is also actively exploring with Barclaycard the idea of having a Visacard bearing club colours or emblems, and Crystal Palace is carrying out a test using entry by credit card through one turnstile.

Many existing marketing successes, such as shirt sponsorship, were pioneered in the First Division. But it is the Second Division, where on-field performances are not necessarily sufficient to pull in the crowds, which has become a breeding ground for the latest marketing ideas.

Watford, for example, produces a colour booklet including fixtures, ticket prices and products, circulated to half a million homes in the club's catchment area before the start of the season.

When the club launched the booklet idea three years ago, one copy dropped through the letter box of Robert Maxwell, then chairman of Oxford United. Within three days Oxford had a similar product.

Sponsorship at Watford runs from the big money deal for a product name on shirts, currently under negotiation, to smaller sponsorships in which the ordinary supporters can take part. Some supporters pay £40 for the season to sponsor a player's socks or £150 for the whole kit.

The club has a family terrace where adults are only allowed in if they are accompanied by a child. Two adults and two children can watch the match there for less than £10. "Our approach has certainly rubbed off in lessening the potential for crowd trouble," says Chris Childs, marketing manager. "After all there is not much kudos for visiting supporters looking for trouble in boasting 'we took the Watford family enclosure'."

Another money-spinning idea, set up by Watford with Ladbroke at the end of last season, and now spreading to other clubs, is the provision of a club betting shop for supporters to wager on aspects of the match, such as who scores the first goal and its time.

Oxford United, which enjoys a friendly rivalry with Watford in the marketing area – Maxwell's copy booklet has not been forgotten by either club – is trying out a few ideas itself. Nick Johnson, commercial manager, who points out that the family enclosure was his idea when he worked for Doncaster Rovers, is going into match advertising on TV.

Attendance in Oxford's first season since relegation to the second division has fallen to an average of 5,500. "We took 40,000 supporters with us to Wembley in 1986 so I know they are out there somewhere," says Johnson.

Television, he believes, is the way to find them. For an outlay of £1,500, the club has been offered three prime time commercial slots on Central Television to advertise the home match against Swindon Town on October 5. To make it worthwhile the club needs to add between 300 and 400 supporters on its expected gate.

The Oxford marketing ethos has secured the club one of the most lucrative sponsorship deals in the league – £200,000 for the season from Wang Computers.

Leeds United has used TV advertising to promote season ticket sales for the first time this year. Two years ago season ticket revenue was about £190,000. Last year, after the club created a new commercial team headed by Bill Fotherby, managing director, it rose to £445,000 through more active promotion. This year, in spite of a run of poor on-field performances, the figure should top £500,000 by the end of this month.

The realisation by clubs that the herding of fans into stark caged-off areas could have contributed to the hooliganism which the Government's intervention is designed to prevent may prove an important social spin-off for the new commercial approach.

Corporate advertising

Hanson shows how it has been on the up and up

By Lisa Wood

Growth in earnings per share is not a common concept to be flashed across television during prime-time commercial breaks.

But that is exactly what a wavy green line, inexorably rising across the small screen, represents in Hanson's latest corporate advertisements.

The advert, all 2½ minutes of it, treats viewers to a sequence of television news shots tracking the headlines since 1964.

Footage includes shots of personalities including Jeremy Thorpe and Martin Luther King along with events such as the Chernobyl disaster and assorted riots.

All this is being watched in the advertisement on the screen of a City trader after he keys in a request for Hanson's earnings record.

The message to the great British public is: whatever the world may throw at Hanson, be it political or financial change, Hanson's earnings continue to grow.

It is a sophisticated advertisement, taking slots in prime-time breaks such as those in News At Ten and Channel 4 News. For some of the slots the advertisement takes up the whole break – a factor that was not planned but which has helped the advertisement to make an uninterrupted point rather than be seen as gratuitously long, according to Sean O'Connor, account director at Lowe Howard-Spink, the advertising agency responsible for Hanson's television advertising.

The advertisement has provoked large-scale media interest but market research has yet to show whether or not this stylish advertisement is appreciated or understood by the general public.

O'Connor has few qualms on this front. "Even if people do not grasp the concept of earnings per share they do understand a line going up and the idea of success," says O'Connor. "For those who do understand it, the advertisement makes a potent impact."

Clips of a whole series of political and other news events are shown in Hanson's latest TV ad as a line tracks the company's earnings per share record

A long advertisement of this kind, which demands the full attention of the viewer, could become a turn-off if it ran for a long period. This is recognised in the fact that the advertisement, which is understood to have cost £2.5m in airtime, has a short-running period – from September 16 to October 2.

Hanson started advertising on television in 1986. Martin Taylor, vice-chairman of Hanson says: "We have been doing corporate advertising in all the major print media since 1975.

Market research has yet to show whether or not this stylish ad is understood by the general public

"The expansion into television was a natural development but was of particular importance to us during our bid for Imperial when there were shareholders in areas where we did not have business interests." Shareholders, says Taylor, were being inundated with pieces of paper and television advertisements were a very different form of communication.

It is not just shareholders in their own group - or shareholders in groups that the acquisitive Hanson group may be eyeing - that are the target audience. Rather it is a much wider group of people – including employees, customers, suppliers, the City and the community at large.

But why advertise? O'Connor says there is a strong connection between knowledge of a business and positive attitudes towards it. "There is a myriad of benefits from people perceiving you in a positive way."

The first advertisement emphasised the scale of the company and its Anglo-American personality; the second gave more solid information comparing the business with other groups while the third focuses on its success come hell or high water.

Market research, says O'Connor, showed a big jump in awareness after the first advertisement with the second consolidating that knowledge and awareness. The third advertisement is intended to sustain the message.

He declines to say whether there are more advertisements planned by Hanson, which celebrates its 25th anniversary this year. "We have a relationship with the public now and it needs sustaining."

COMPANY NOTICES

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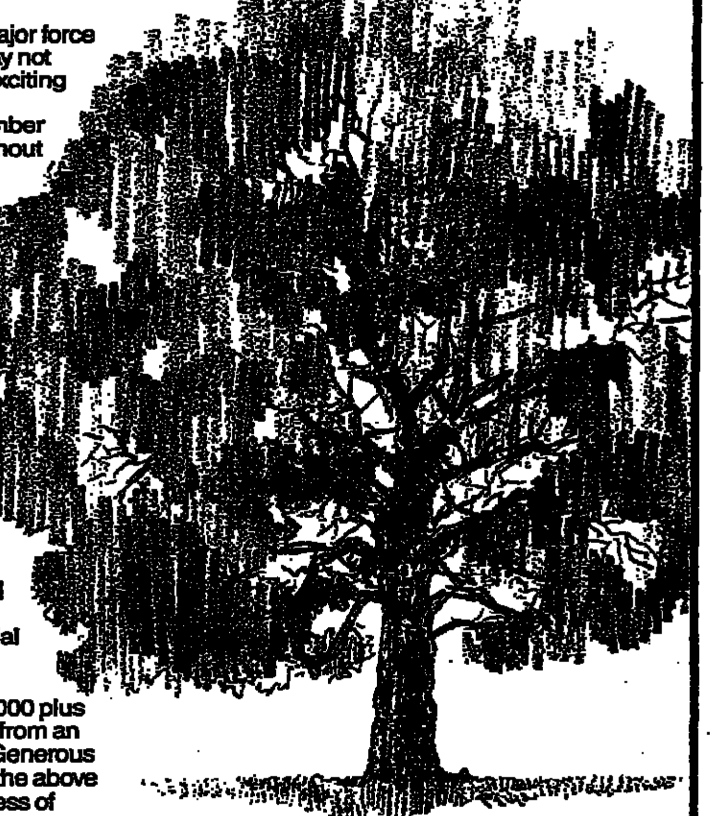

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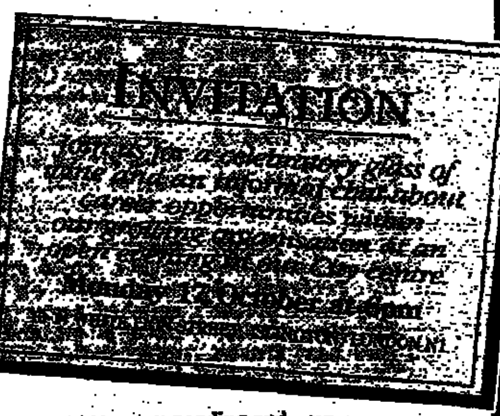

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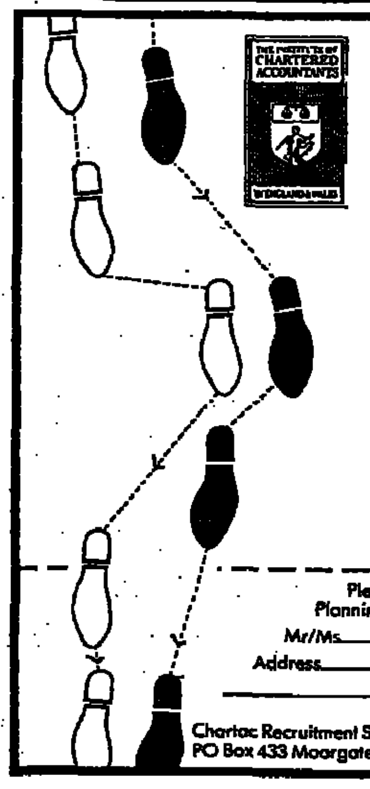

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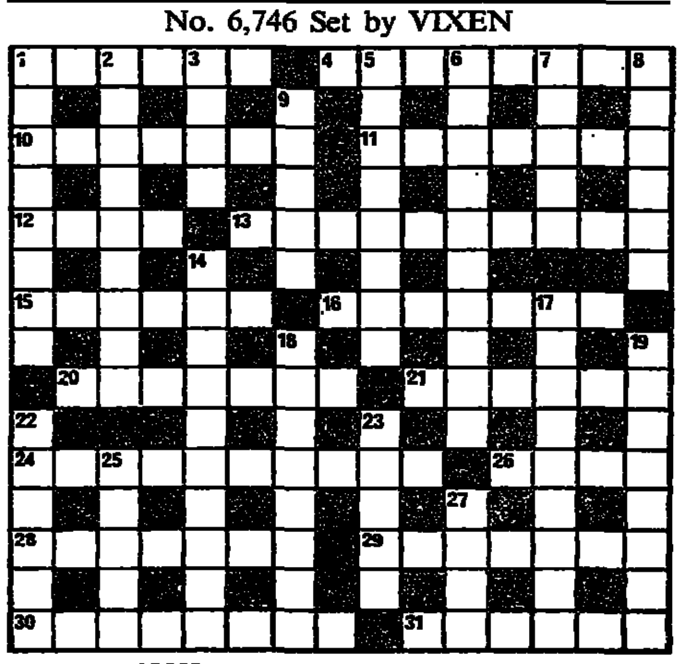

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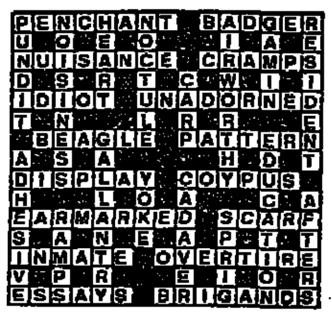
13 She would restrict women's personal freedom (10)
15 Courage given by alcohol? (6)
16 A soldier going into a nearby pub is perfectly reasonable (7)
20 The soap used where refreshments are served (3-4)
21 A musician's language (6)
24 Popular trade – for a spell (10)
26 The continent like backing 4 down (4)
28 Underworld row about a scout (7)
29 Droll article to be read before studying (7)
30 Seers in trouble about dope fix, not for the first time (8)
31 Fish catch – could be a stone (6)

DOWN

1 To value a paper is unusual (8)
2 There's nothing dull in a swell perfume! (9)
3 Not the sole list (4)
5 Topping basic wear (8)
6 Kept a man tied in maybe (10)
7 Some cooks use it to season – it replaces salt (5)
8 The figure one's repeatedly given (6)
9 Bore could not get a seat (5)
14 Five-year-olds being very good? (5,5)
17 A note calling for acceptance (9)
18 The subject matter affords satisfaction (8)
19 Poor gaunt characters in ramshackle hut given no guidance (8)
22 21 across children appear more considerate (6)
23 Add a pound, that's all (5)
25 Underwear presented to a girl (5)
27 Raised in Pennsylvania, will develop into a six-footer (4)

Solution to Puzzle No.6,745



GUIDE TO UNIT TRUST PRICING

The data included under the *Authorised* section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the *marketing, administrative and other costs which have to be paid by new* purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♠ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants, SP10 1RE 0264 63434

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield GRS
TSB American	5	100.19	100.19	106.43	-1.12	2.12
Do Accum	5	107.53	107.53	114.23	-1.20	2.12
TSB Brit Growth	5	53.49	53.49	56.90	+0.95	3.33
Do Accum	5	55.97	55.97	59.54	+0.97	3.33
TSB European	5	50.22	50.22	53.43	-0.08	1.16
Do Accum	5	51.59	51.59	54.88	-0.08	1.16
TSB Extra Income	5	142.78	142.78	151.89	+1.24	5.95
Do Accum	5	184.29	184.29	196.05	+1.60	5.95
TSB Smaller Cos	5	52.23	52.23	55.56	+0.09	1.23
Do Accum	5	53.16	53.16	56.55	+0.09	1.23
TSB General	5	175.45	176.23	187.48	+3.14	3.35
Do Accum	5	303.72	305.06	324.53	+5.43	3.35
TSB Gilt & Fxd Int	3¼	47.52	47.52	49.15	+0.34	8.97
Do Accum	3¼	71.75	71.75	74.21	+0.52	8.97
TSB Income	5	262.67	262.23	278.97	+5.38	5.01
Do Accum	5	435.70	438.33	466.31	+9.34	5.01
TSB Pacific	5	201.53	201.53	214.39	-0.15	0.33
Do Accum	5	209.53	209.53	222.90	-0.16	0.33
TSB International	5	318.55	318.55	339.00	-0.75	1.04
Do Accum	5	400.70	400.70	427.44	-0.94	1.04
TSB Nat. Resources	5	59.43	59.43	63.22	-0.50	1.44
Do Accum	5	62.46	62.46	66.45	-0.50	1.44
TSB Stete Opps	5	77.59	77.59	82.54	+0.61	2.42
Do Accum	5	88.54	88.54	94.19	+0.69	2.42

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield GRS
American Eagle	5	63.82	63.82	68.22	+0.17	0.87
Australia	5	7.287	7.287	7.799	-0.080	0.20
Commodity	5	75.13	75.13	81.16	+0.32	0.61
Convertible	5	138.0	138.0xd	148.9	-0.3	5.14
Equity	5	149.3	149.3	160.6	+2.3	3.25
Euro Spec Sits	5	78.63	78.63	84.39	+0.63	1.61
Financial	5	30.19	30.69xd	32.98	+0.12	2.07
Global Opps Inc	5	55.38	55.38	59.62	....	0.63
Global Opps Acc	5	55.38	55.38	59.62	+0.06	0.63
Gold Income	5	48.49	48.49	51.95	+0.04	0.00
Gold Acc	5	89.31	89.31	95.65	+0.07	0.00
Income	5	104.8	105.0xd	112.7	+1.6	4.50
Japan	5	119.8	119.8xd	129.0	-2.00	0.00

INSURANCES

OTHER UK UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB 01-405 8441				
Prop Dist. (Gross)	176.5	185.8	-	-
Prop. Acc (Gross)	285.6	300.7	-	-
Equity (Gross)	655.2	689.7	+4.3	-
Managed (Gross)	471.2	496.1	+5.2	-
Prop Acc. (Net)	132.0	139.0	-	-
Equity (Net)	153.2	161.3	+1.7	-
Managed (Net)	144.8	152.5	+1.3	-
Internat'nal (net)	131.5	138.5	+0.1	-
Gilt & Fxd Interest	100.1	105.4	+0.5	-
Money Fund	101.0	106.3	-	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	445.6	469.1	+5.6	-
Ret Man (Series 2)	151.1	159.1	+1.9	-
Ret Man (Series 3)	99.4	99.4	+1.1	-
Ret Cash	125.1	131.7	+0.1	-
Ret Cash (Series 3)	102.5	102.5	-	-
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd	388.8	409.4	+2.3	-
Eb'r Ph Eq	329.4	350.5	-	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	168.8	177.6	+2.2	-
International Acc.	142.7	150.2	-0.3	-
Property Acc.	149.1	156.9	+0.2	-
Fixed Interest Acc.	156.9	165.1	+0.7	-
Money Acc.	144.4	151.9	-	-
Bldg Soc. Link Acc.	141.2	148.6	-	-
Special Mnged Acc.Q.	153.6	161.6	+1.1	-
Phoenix/Framlington				
Intnl Growth Acc.	88.00	92.60	-0.70	-
Am Smllr Cos. Acc.	89.20	93.80	-1.00	-
Capital Tst. Acc.	171.5	180.5	+0.7	-
Japan & Gen Acc.	188.0	197.8	-0.2	-
American Tsm. Acc.	97.90	103.0	-1.4	-
Recovery Tst. Acc.	177.1	186.4	-0.2	-
Special Mngd Acc.	148.2	156.0	-	-
Phoenix/GT				
International Acc.	133.2	140.2	-0.1	-
US & General Acc.	88.40	93.00	-0.60	-
Amer Spec Sits Acc.	66.90	70.40	-0.70	-
Japan & General Acc.	189.3	199.2	-0.2	-

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Unit Fund	891.5	936.1	+5.3	-
Equity Fund	202.3	212.4	+1.9	-
International Fd	132.0	138.6	-0.7	-
Fixed Interest Fd	150.6	158.1	+0.9	-
Property Fund	172.7	181.3	-	-
Index-Linked Fund	125.2	131.5	+0.0	-
Deposit Fund	130.2	136.7	+0.0	-
Pens. Mixed (Ord) Fd	205.9	216.2	+1.3	-
Gold Pensions				
Discretionary Fund		99.8	+0.5	-
Equity Fund		98.7	+0.8	-
Fixed Interest Fund		102.9	+0.5	-
International Fund		98.6	-0.6	-
Property Fund		100.0	-	-
Index-Linked Fund		102.2	+0.1	-
Deposit Fund		102.0	+0.0	-
S & F Consolidation		101.5	+0.5	-
S & F Balanced		98.9	+0.4	-
S & F Maximum Growth		94.7	+0.4	-
Provident Mutual Life Assc. Assn.				
Willian Rd, Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord.	286.0	301.1	+1.5	-
Managed Init.	235.3	247.7	+1.2	-
Equity Ord.	400.3	421.4	+3.6	-
Equity Init.	329.4	346.7	+2.8	-
Index Linked Gilt Ord.	123.8	130.3	+0.2	-
Index Linked Gilt Init.	106.4	112.0	+0.2	-
Overseas Equity Ord	256.6	270.1	-0.3	-
Overseas Equity Init.	211.2	222.3	-0.2	-
Property Ord.	172.5	181.6	-	-
Property Init.	142.0	149.5	-	-
Fixed Interest Ord	170.4	179.4	+0.8	-
Fixed Interest Init.	140.2	147.6	+0.7	-
Deposit Ord	136.2	143.4	-	-
Deposit Init.	112.1	118.0	-	-
Pension Funds				
Managed Ord	345.9	364.1	+2	-
Managed Init.	284.7	299.7	+1.7	-
Equity Ord.	502.0	528.4	+5.2	-
Equity Init.	413.1	434.8	+4.3	-
Pen Ind Lkd Gilt Ord.	133.6	140.6	+0.3	-
Pen Ind Lkd Gilt Init.	114.8	120.8	+0.3	-
Overseas Equity Ord.	291.1	306.4	-0.4	-
Overseas Equity Init.	239.6	252.2	-0.3	-

Royal Heritage Life Assurance Ltd—Contd.

	Bid Price
Natural Resources	133
Selected Opportunities	117
Managed	112
Broker Managed	
UFC Stockbroker Fund	112
UFC Stockbroker Op Gth	80
Monitored Inv Port.	153
BTL Portfolio	110
Paramount Inc Gth Fd	101
Gardener IMP	121
Aquarius Inv PF	136
Jones Baker	148
Charles Stanley	334
Bestdown	164
Siltala Mng. CGF	121
Siltala Mng. HIF	128
Alcra Growth	141
Do. Inc.	138
Ascott Mngd Fund	111
Ascott Inc Portfolio	111
Mawdsley Universal Mng	98
H&B Mngd Portfolio	161
NIC Mngd Bond	99
South Yorks Mangt	118
City Capital Bond	124
Birchwood	125
Slade Investments	55
Flex. Inv. Planning	107
Invest. Mktg. Services	100
P.W. Intl. Portfolio	148
Hardwick Inv. Mngt	96
The Ivy Growth Fd	95
Baltic Prem Portfolio	99
Citibond	122
Sterling Cap Growth	82
Connaught Swift Fund	47
Redcliffe Inc & Gth	99
Gibbs Hartley Mgd Ptfl	79
Andrew Green Inv Ptfl	90
Stanleigh Inv Man Bd	139
Chelsea Inv Port.	43
Derek Gardiner Mng	85
GLI Managed Fnd	86
PEP Inv Port	93
Western Counties Mng	111
Saunders French Gth.	93
Bibby & Co Mng Fd	111

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Yield Int.	Yield Red.
Redemption 3pc 1986–96	–	–
Treas. 9½pc '88	9.51	11.71
Treas 11½pc 1989	11.49	11.00
Treas 9½pc Cnv 1989	9.57	10.90
Treas 3pc 1989	3.10	8.44
Treas 10½pc 1989	10.53	10.92
Exch. 10pc 1989	10.07	10.80
Exch 11pc 1989	10.97	10.70
Treas 5pc 1986–89	5.23	9.55
Exch 10¼pcCv '89	10.27	10.57
Treas 13pc 1990‡‡	12.58	10.13
Exch 11pc 1990‡‡	10.83	10.09
Exch. 12½pc 1990	12.13	10.27
Treas. 3pc 1990	3.29	8.97
Treas 8¼pc 1987–90‡‡	8.49	10.11
Treas. 8pc Cv 1990 ‡	8.17	9.24
Treas. 10pcCv 1990	10.04	10.25
Exch 2½pc 1990	2.83	8.60
Treas 11¾pc 1991	11.42	10.15
Funding 5¾pc '87–91‡‡	6.29	9.70
Treas. 3pc 1991	3.44	8.59
Treas 10pc Cv '91 ‡	10.00	9.97
Exch. 11pc 1991	10.77	10.19
Treas. 8pc 1991	8.51	10.22
Treas 12¾pc 1992‡‡	11.91	10.16
Treas 10pc 1992	10.04	10.13
Treas. 8pc 1992 ‡	8.54	10.17
Treas 10½pc Cv 1992‡‡	10.40	10.16
Treas. 3pc 1992	3.60	8.75
Exch. 12¼pc '92	11.91	10.15
Exch 13½pc 1992	12.21	10.21
Treas 8¾pc 1993	8.83	10.14
Treas 10pc 1993‡‡	10.03	10.08
Treas 12½pc 1993‡‡	11.50	10.14
Funding 6pc 1993‡‡	6.81	9.03

Five to Fifteen Years

Stock	Yield Int.	Yield Red.
Treas 13¾pc 1993‡‡	12.08	10.21
Treas. 8½pc 1994	9.11	10.14
Treas 8½pc 1994 A		
Treas 14½pc 1994‡‡	12.30	10.13
Exch 13½pc 1994	11.90	10.27
Treas. 10pc Ln. 1994‡‡	10.03	10.05
Exch. 12½pc 1994	11.41	10.28
Treas 9pc 1994‡‡	9.44	10.02
Treas 12pc 1995	11.12	10.25
Exch 3pc Gas 90–95	3.70	6.61
Exch. 10¼pc 1995	10.19	10.12
Treas 12¾pc 1995‡‡	11.31	10.17
Treas. 14pc '96	11.80	10.27
Treas. 9pc 1992–96‡‡	9.43	9.88
Treas 15¼pc 1996‡‡	12.11	10.16
Exch 13¼pc 1996‡‡	11.43	10.16
Conversion 10pc 1996	10.06	10.09
Treas 13¼pc 1997‡‡	11.31	10.13
Exch 10½pc 1997	10.25	10.05
Treas 8¾pc 1997‡‡	9.37	9.87
Exch 15pc 1997	11.79	10.31
Exch. 9¾pc 1998	9.90	10.00
Treas 6¾pc 1995–98‡‡	8.12	9.46
Treas. 15½pc '98‡‡	11.67	10.19
Exch. 12pc 1998	10.73	10.09
Treas 9½pc 1999‡‡	9.68	9.78

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. ... adjusted to reflect ... *Conversion factor* ... August 1988:107.9

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound gains from quiet dollar

ATTENTION TURNED towards sterling, in an otherwise quiet foreign exchange market yesterday.

Failure of the dollar to move out of a tight trading range increased demand for the pound, as dealers looked favourably on currencies supported by high interest rates.

Sterling also gained assistance from Tuesday's UK trade figures for August, and comments yesterday by Mr Nigel Lawson, Chancellor of the Exchequer.

The UK trade deficit was the second largest on record, but not as bad as the market had feared. Mr Lawson, speaking in West Berlin, said a depreciation of sterling was not the answer to the trade deficit, and was counter to the Government's anti-inflation policy.

A slight firming of North Sea oil prices provided a little background support for the pound, although the price of Brent crude remained under $13 a barrel.

Sterling broke through DM3.16 for the first time this month, and closed at its highest level against the D-Mark since August 24.

The pound rose to DM3.1675 from DM3.1550; to Y226.25 from Y225.75; to SFr2.6825 from SFr2.6700; and to FFr10.7800 from FFr7350.

Sterling also gained 80 points to $1.6865, while on Bank of England figures the pound's index rose 0.2 to 75.8.

The dollar appeared to run out of steam, and failed to consolidate an attack on DM1.8800 yesterday. Fear of central bank intervention, following Monday's co-ordinated action, kept a lid on the US currency. The market was not prepared to mount a serious challenge to the authorities with heavy buying of the dollar, but at the same time could see no reason to sell the currency.

Central banks appeared content with the dollar's present value yesterday. There was no obvious sign of intervention on the open market, but traders suspected there may have been a little disguised selling of dollars by the West German Bundesbank at times.

The Bundesbank stayed out of the market when the dollar was fixed at DM1.8793 in Frankfurt, compared with DM1.8813 on Tuesday.

Lack of fresh factors kept the dollar in a narrow trading range, with dealers suggesting there is unlikely to any news to move the US currency before the US employment data is published on October 7.

The dollar touched a peak of DM1.8805, but eased back to close at DM1.8780, compared with DM1.8790 on Tuesday.

It also eased a little against the yen, to close at Y134.20, compared with Y134.45, while falling to SFr1.5900 from SFr1.5905, and to FFr6.3925 from FFr6.3950.

According to the Bank of England, the dollar's exchange rate index was unchanged at 93.7.

Earlier in Tokyo the dollar had fallen back from an opening level of Y134.70 to close at Y134.20, on a report that the Group of Seven will not tolerate a stronger dollar.

£ IN NEW YORK

Sept.28	Latest	Previous Close
£ Spot	1.6830-1.6840	1.6780-1.6790
1 month	0.46-0.45pm	0.48-0.45pm
3 months	1.34-1.32pm	1.43-1.41pm
12 months	4.08-4.03pm	4.50-4.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept.28	Previous
8.30 am	75.6	75.4
9.00 am	75.6	75.3
10.00 am	75.8	75.3
11.00 am	75.8	75.3
Noon	75.9	75.4
1.00 pm	75.8	75.5
2.00 pm	75.8	75.5
3.00 pm	75.8	75.7
4.00 pm	75.8	75.6

CURRENCY RATES

Sept.28	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.770191	0.655516
U.S. Dollar	6.50	1.28876	1.10402
Canadian $	8.75	1.57035	1.34768
Austrian Sch.	4	17.0606	14.5940
Belgian Franc	7	50.7965	43.4818
Danish Krone	7½	9.30098	7.95115
Deutsche Mark	3½	2.42454	2.07501
Neth. Guilder	4	2.73217	2.33920
French Franc	9½	8.25064	7.06407
Italian Lira	12½	1808.10	1547.28
Japanese Yen	2½	173.403	148.160
Norway Krone	8	8.95044	7.65583
Spanish Peseta	-	160.916	137.473
Swedish Krona	8½	8.33183	7.11762
Swiss Franc	3	2.05235	1.75760
Greek Drach.	20½	196.523	168.065
Irish Punt	-	N/A	0.773503

*All SDR rates are for Sept.27

CURRENCY MOVEMENTS

Sept.28	Bank of England Index	Morgan** Guaranty Changes %
Sterling	75.8	[illegible]
U.S. Dollar	93.7	[illegible]
Canadian Dollar	[illegible]	[illegible]
Austrian Schilling	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for Sept.27

OTHER CURRENCIES

[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept.28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4818	+2.41	+0.95	±1.5344
Danish Krone	7.85212	7.95115	+1.26	-0.20	±1.5404
German D-Mark	2.05853	2.07501	+0.80	-0.66	±1.0981
French Franc	6.90403	7.06407	+2.32	+0.86	±1.3674
Dutch Guilder	2.31943	2.33920	+0.85	-0.61	±1.5012
Irish Punt	0.768411	0.773503	+0.66	-0.80	±1.6684
Italian Lira	1483.58	1547.28	+4.29	+3.39	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Sept.28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6785 - 1.6875	1.6860 - 1.6870	0.48-0.45cpm	3.31	1.36-1.31pm	3.17
Canada	2.0470 - 2.0610	2.0555 - 2.0565	0.29-0.19cpm	2.06	0.71-0.56pm	1.24
Netherlands	3.55¼ - 3.57½	3.56½ - 3.57½	2-1¾cpm	6.30	5½-5¼pm	6.02
Belgium	65.95 - 66.58	66.30 - 66.40	31-19cpm	4.52	81-66pm	4.43
Denmark	12.08¾ - 12.15½	12.14½ - 12.15½	5-3¾orepm	4.38	12-10¾pm	3.72
Ireland	1.1735 - 1.1835	1.1805 - 1.1815	0.46-0.41pm	4.42	1.37-1.23pm	4.40
W. Germany	3.16¼ - 3.17	3.16½ - 3.17	1⅞-1⅝pfpm	6.63	5⅜-5¼pm	6.63
Portugal	259.55 - 261.50	260.50 - 261.50	15-57cdis	-1.66	76-170dis	-1.89
Spain	208.80 - 210.15	209.65 - 209.95	11pm-3cdis	0.23	10-36dis	-0.44
Italy	2350¼ - 2363½	2360½ - 2361½	1pm-2liredis	-0.25	3pm-2dis	0.08
Norway	11.64¼ - 11.70¼	11.69 - 11.70	¼-1⅝oredis	-0.90	3⅝-4¼dis	-1.43
France	10.77½ - 10.79	10.77½ - 10.78½	3½-3¼cpm	3.69	10½-9¾pm	3.76
Sweden	10.82¾ - 10.87¾	10.86¾ - 10.87¾	1⅛-1orepm	1.31	4-3¾pm	1.36
Japan	225 - 226¼	225¼ - 226¼	1⅜-1¼ypm	6.63	3⅞-3⅝pm	6.63
Austria	22.18 - 22.31	22.27 - 22.31	12⅞-11½grpm	6.43	34⅞-31¾pm	5.92
Switzerland	2.67 - 2.68¾	2.67¾ - 2.68¾	2-1¾cpm	8.39	5⅝-5⅜pm	8.20

Belgian rate is convertible francs. Financial franc 67.15-67.25. Six-month forward dollar 2.41-2.36cpm 12 months 4.07-3.97cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sept.28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6785 - 1.6875	1.6860 - 1.6870	0.48-0.45cpm	3.31	1.36-1.31pm	3.17
Ireland†	1.4260 - 1.4300	1.4270 - 1.4280	0.14-0.19cdis	-1.39	0.46-0.56dis	-1.43
Canada	1.2170 - 1.2215	1.2200 - 1.2210	0.18-0.21cdis	-1.92	0.57-0.62dis	-1.95
Netherlands	2.1140 - 2.1200	2.1170 - 2.1180	0.52-0.50cpm	2.89	1.51-1.47pm	2.81
Belgium	39.25 - 39.40	39.30 - 39.40	5.00-3.00cpm	1.22	14.00-10.00pm	1.22
Denmark	7.18¾ - 7.20¾	7.20¼ - 7.20¾	0.90-0.40orepm	1.08	1.20-0.65pm	0.51
W. Germany	1.8750 - 1.8805	1.8775 - 1.8785	0.55-0.52pfpm	3.42	1.62-1.57pm	3.40
Portugal	154¼ - 155¼	154¾ - 155	55-75cdis	-5.04	175-225dis	-5.17
Spain	124.20 - 124.55	124.40 - 124.50	32-42cdis	-3.57	110-125dis	-3.78
Italy	1398 - 1402¼	1399¾ - 1400¼	3.50-4.50liredis	-3.43	10.00-12.00dis	-3.14
Norway	6.92½ - 6.94¼	6.93¼ - 6.93¾	2.25-2.60oredis	-4.20	7.90-8.30dis	-4.67
France	6.38 - 6.40¼	6.39 - 6.39½	0.40-0.32cpm	0.68	0.97-0.79cpm	0.55
Sweden	6.43 - 6.45	6.44½ - 6.45	0.85-1.15oredis	-1.87	2.70-3.15dis	-1.82
Japan	133.90 - 134.25	134.15 - 134.25	0.38-0.36ypm	3.31	1.17-1.12pm	3.41
Austria	13.19½ - 13.22¼	13.21½ - 13.22	3.50-3.20gropm	3.04	9.80-8.80pm	2.81
Switzerland	1.5880 - 1.5935	1.5895 - 1.5905	0.72-0.69cpm	5.31	2.02-1.97pm	5.01

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.80-39.90.

EURO-CURRENCY INTEREST RATES

Sept.28	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11½-11⅜	11⅝-11½	11¾-11⅝	11⅞-11⅞	11⅞-11⅞	11⅞-11¾
US Dollar	8⅞-8¾	8⅞-8⅞	8⅞-8⅞	8½-8⅜	8⅞-8⅝	9-8⅞
Can. Dollar	10¼-10	10¼-10	10⅛-9⅞	10½-10¼	10⅝-10½	10⅞-10⅝
D. Guilder	5⅜-5⅞	5⅝-5⅞	5½-5¼	5⅝-5½	5⅞-5⅝	5⅞-5⅝
Sw. Franc	2⅝-2⅜	3½-3¼	3⅞-3⅝	3⅞-3⅝	3⅞-3¾	4-3⅞
Deutschmark	5-4⅞	5¼-4⅞	5⅛-4⅞	5⅛-4⅞	5⅜-5¼	5⅝-5⅜
Fr. Franc	7⅛-7⅜	7⅝-7½	7⅞-7⅝	7⅞-7⅝	8⅛-8⅛	8⅞-8⅝
Italian Lire	12-10	12½-11	11⅞-11⅝	11⅞-11⅝	11⅞-11⅝	11⅞-11⅝
B. Fr. (Fin)	7¼-7⅛	7¼-7⅛	7¼-7⅛	7⅞-7⅞	7⅞-7⅝	7⅞-7⅝
B. Fr. (Con)	7⅜-7	7⅜-7	7½-7⅛	7⅝-7¼	7⅞-7⅞	7⅞-7⅝
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅛-9⅞ per cent; three years 9¼-9⅛ per cent; four years 9½-9⅜ per cent; five years 9⅞-9⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

UK rates lower on better tone

A HINT of optimism crept into money market trading in London yesterday. Longer term rates were marked down, on a growing perception that the UK economic data may have turned the corner. August trade figures released on Tuesday were better than expected, and followed an encouraging improvement in August money supply data. Investor confidence pushed sterling through a significant resistance level at DM3.16, which added to the bullish tone.

UK clearing bank base lending rate 12 per cent from August 25 & 26

While the key three-month interbank rate was unchanged at 12-11⅞ p.c., the one year rate fell to 11⅞-11¾ p.c. from 12-11⅞ p.c. Interest rates now show a reverse curve from three-months onwards.

Short-term rates were also easier, as the authorities revised an early shortage of liquidity to a surplus. Overnight money moved up to a high of 12 p.c. before slipping back to finish at 10 p.c.

Initially the Bank of England forecast a shortage of around £100m, with factors affecting the market including repayment of any late assistance and bills maturing in official hands, together with a take up of Treasury bills draining £563m. A rise in the note circulation accounted for a further £90m, while banks brought forward balances a nominal £10m below target. These were partly offset by Exchequer transactions, which added £575m.

The forecast was revised to a flat position, and there was no intervention by the Bank during the morning. A further revision took the forecast to a £100m surplus, and the Bank took out the excess liquidity by selling £91m of Treasury bills at 10¾-11⅛ p.c., maturing tomorrow.

Interest rates in Frankfurt were unchanged at the short end. Call money was quoted at 4.7-4.8 p.c., the same as on Tuesday, as commercial banks found sufficient funds to cope with outflows, caused by Government pension payments. Dealers suggested that commercial banks are unlikely to meet any problems in meeting end of month minimum reserve requirements with the balances improved by the deposit of end-of-month salary payments.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.28) 3 months US Dollars: bid 8¾, offer 8⅞ — 6 months US Dollars: bid 8⅞, offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES

Prices recover from early lows

Short sterling prices recovered from a slightly weaker start to finish unchanged from overnight levels, in yesterday's Liffe market. Values were marked down in early trading, as dealers saw Tuesday's reaction to August trade figures as being a little overdone.

However comments by Mr Nigel Lawson, UK Chancellor of the Exchequer, rejecting a sterling devaluation as a means of combating this year's current account deficit, revived confidence. The December short sterling price moved up from a low of 88.14 to finish unchanged from Tuesday's close at 88.24, while the long gilt price was also up from the day's low. However it was still slightly down from the previous close at 95-10, compared with 95-14.

US Treasury bonds finished on a weaker note in relatively low volume. A slight recovery in crude oil prices took the edge off the recent bullish tone.

The December US bond price opened at 87-02, and touched a low of 86-31 before finishing at 87-04, still down from 87-16 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
90	523	561	3	7
92	327	411	7	21
94	146	243	26	53
96	41	133	121	143
98	11	48	255	258
100	3	21	447	431
102	1	8	645	618

Estimated volume total, Calls 1815 Puts 824
Previous day's open int. Calls 22645 Puts 23018

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
80	715	700	7	28
82	524	525	16	53
84	341	362	33	126
86	210	252	102	216
88	107	157	163	321
90	32	114	324	442
92	13	47	505	611

Estimated volume total, Calls 75 Puts 186
Previous day's open int. Calls 6708 Puts 3203

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Oct	Calls-settlements Nov	Puts-settlements Oct	Puts-settlements Nov
16500	1702	1722	2	22
17000	1213	1266	13	66
17500	762	863	62	163
18000	400	538	200	338
18500	167	303	467	603
19000	54	153	854	953
19500	13	69	1315	1369

Estimated volume total, Calls 1 Puts 0
Previous day's open int. Calls 2 Puts 6

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Oct	Calls-settlements Nov	Puts-settlements Oct	Puts-settlements Nov
150	—	—	—	—
155	1330	1330	0	3
160	830	830	1	26
165	343	390	38	127
170	66	139	261	376
175	4	33	699	770
180	0	5	1195	1242

Estimated volume total, Calls 10 Puts 0
Previous day's open int. Calls 43 Puts 4144

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9050	72	89	8	18
9075	51	70	12	24
9100	34	54	20	33
9125	21	41	32	45
9150	12	29	48	58
9175	6	20	67	74
9200	3	13	89	92

Estimated volume total, Calls 120 Puts 30
Previous day's open int. Calls 2847 Puts 3939

LIFFE SHORT STERLING

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
8775	64	126	15	17
8800	47	106	23	22
8825	33	88	34	29
8850	22	72	48	38
8875	13	57	64	48
8900	8	44	84	60
8925	4	33	105	74

Estimated volume total, Calls 351 Puts 1584
Previous day's open int. Calls 19851 Puts 14134

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
1.600	8.15	8.15	8.28	8.86	0.02	0.30	0.88	2.09
1.625	5.75	5.95	6.33	7.14	-	0.65	1.47	2.94
1.650	3.44	3.98	4.57	5.63	0.25	1.28	2.11	3.97
1.675	1.60	2.41	3.14	4.33	1.03	2.17	3.23	5.22
1.700	0.60	1.43	2.07	3.28	2.55	3.55	4.68	6.66
1.725	0.04	0.74	1.35	2.43	4.32	5.30	6.38	8.17
1.750	0.04	0.32	0.84	1.85	6.64	7.37	8.19	9.93

Previous day's open int: Calls 370,658 Puts 367,937
Previous day's volume: Calls 26,324 Puts 8,279

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
1.650	3.05	3.75	4.40	5.45	1.05	2.15	3.25	5.25
1.700	0.85	1.65	2.35	3.25	3.75	4.85	6.05	8.10
1.750	0.45	0.70	1.00	2.00	8.30	8.95	9.85	11.65
1.800	0.40	0.45	0.66	1.25	13.30	13.65	13.50	15.75
1.850	0.40	0.45	0.50	0.85	18.20	18.55	19.00	20.15
1.900			0.50	1.55			22.50	25.30
1.950			0.45	1.40			17.60	20.40

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 226 Puts 192

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	95-04			95-03
Dec	95-10	95-22	95-05	95-14

Estimated Volume 24090 (38415)
Previous day's open int. 26889 (27991)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	94-07			94-01
Dec	93-24			93-30

Estimated Volume 0 (100)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

[illegible]

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	88.24
Mar	[illegible]	[illegible]	[illegible]	88.82
Jun	[illegible]	[illegible]	[illegible]	89.10
Sep	[illegible]	[illegible]	[illegible]	89.25

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	91.21
Mar	[illegible]	[illegible]	[illegible]	91.28
Jun	[illegible]	[illegible]	[illegible]	91.09
Sep	[illegible]	[illegible]	[illegible]	90.86

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	87-16
Mar	[illegible]	[illegible]	[illegible]	86-30

CURRENCY FUTURES — LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	1.6647
Mar	[illegible]	[illegible]	[illegible]	1.6540
Jun	[illegible]	[illegible]	[illegible]	1.6445

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Sep	[illegible]	[illegible]	[illegible]	180.90
Dec	[illegible]	[illegible]	[illegible]	181.60

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	87-05	87-07	86-31	87-09
Mar	86-22	86-22	86-15	86-24
Jun	86-06	86-07	85-30	86-07
Sep	85-18	85-18	85-15	85-23
Dec	85-02	85-02	85-02	85-07
Mar	84-17	84-17	84-16	84-24
Jun	84-01	84-01	83-31	84-09
Sep	-	-	-	-
Dec	-	-	-	83-13
Mar	-	-	-	83-01
Jun	-	-	-	82-19

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7508	0.7510	0.7504	0.7487
Mar	0.7576	0.7576	0.7569	0.7551
Jun	0.7645	0.7645	-	0.7625

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.5362	0.5364	0.5359	0.5365
Mar	0.5403	-	0.5403	0.5404
Jun	[illegible]	[illegible]	[illegible]	0.5446

U.S. TREASURY BILLS (IMM)
$1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	91.17
Mar	[illegible]	[illegible]	[illegible]	91.23
Jun	[illegible]	[illegible]	[illegible]	91.04
Sep	[illegible]	[illegible]	[illegible]	90.82
Dec	[illegible]	[illegible]	[illegible]	90.63
Mar	[illegible]	[illegible]	[illegible]	90.63
Jun	90.57	90.58	90.56	90.56
Sep	90.50	90.51	90.49	90.49

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.6352	0.6356	0.6348	0.6363
Mar	0.6423	-	0.6415	0.6429
Jun	0.6495	-	0.6490	0.6505

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	270.85	270.95	269.50	270.50
Mar	273.30	273.30	272.00	272.95
Jun	275.40	275.40	274.55	275.35

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 88 Vol	Nov. 88 Last	Feb. 89 Vol	Feb. 89 Last	May 89 Vol	May 89 Last	Stock
GOLD C	$400	174	10.50	3	22.50 A	4	31	$396.50
GOLD C	$420	26	4.60	165	12.50	-	-	$396.50
GOLD C	$440	8	2 A	2	8	35	12.60	$396.50
GOLD C	$460	20	0.80	10	4	-	-	$396.50
GOLD C	$500	-	-	70	1	-	-	$396.50
GOLD P	$380	14	4	10	7.50	-	-	$396.50
GOLD P	$390	17	7	5	10.90	-	-	$396.50
GOLD P	$400	10	10	49	15	24	16	$396.50
GOLD P	$420	28	23	30	25	7	25.50	$396.50
		Oct. 88		Nov. 88		Dec. 88		
EOE Index C	Fl. 225	15	13.50	-	-	-	-	Fl. 237.75
EOE Index C	Fl. 230	54	9.30	-	-	3	13.50	Fl. 237.75
EOE Index C	Fl. 235	22	5.80	-	-	-	-	Fl. 237.75
EOE Index C	Fl. 240	225	3	38	5.80	-	-	Fl. 237.75
EOE Index C	Fl. 245	414	1.40	102	3.50	2	5.30	Fl. 237.75
EOE Index C	Fl. 250	102	0.40	-	-	-	-	Fl. 237.75
EOE Index P	Fl. 190	100	0.10	-	-	-	-	Fl. 237.75
EOE Index P	Fl. 220	9	0.50	20	1.50	-	-	Fl. 237.75
EOE Index P	Fl. 225	181	0.70	-	-	-	-	Fl. 237.75
EOE Index P	Fl. 230	117	1.50	2	3.90	-	-	Fl. 237.75
EOE Index P	Fl. 235	19	2.80	5	6	-	-	Fl. 237.75
EOE Index P	Fl. 240	20	5.40 A	229	8	-	-	Fl. 237.75
		Nov. 88		Feb. 89		May 89		
OBL Index P	Fl. 97.50	-	-	-	-	250	0.45	Fl. 100.17
		Oct. 88		Nov. 88		Dec. 88		
S/Fl C	Fl. 210	32	2.60	-	-	4	4.50	Fl. 211.80
S/Fl C	Fl. 215	20	0.60	11	1.70	13	2.45	Fl. 211.80
S/Fl P	Fl. 210	10	1.30	-	-	30	4	Fl. 211.80
		Oct. 88		Jan. 89		Apr. 89		
ABN C	Fl. 45	186	0.40	38	1.60	-	-	Fl. 42
ABN P	Fl. 45	25	3.40	-	-	32	4.50	Fl. 42
AEGON C	Fl. 90	21	0.60 B	129	3.50	9	5.40	Fl. 86.70
AEGON P	Fl. 85	12	1	4	3	1	4.70	Fl. 86.70
AHOLD C	Fl. 85	15	0.50	10	3	-	-	Fl. 82.40
AKZO C	Fl. 140	196	6.50	166	11.60	10	15.50	Fl. 145.10
AKZO P	Fl. 140	87	1.10	163	5.30	6	7.50	Fl. 145.10
AMEV C	Fl. 55	172	1.10	145	3.90	20	5.50	Fl. 54.90
AMRO C	Fl. 75	39	1.20	-	-	2	5.90	Fl. 73.70
AMRO P	Fl. 65	3	0.20	-	-	100	1.30	Fl. 73.70
BUHRMANN-T C	Fl. 55	39	0.70	15	2.70	9	4	Fl. 53.10
ELSEVIER C	Fl. 65	21	0.50	71	2.20	8	3.50 B	Fl. 61.80
ELSEVIER P	Fl. 60	111	0.80	-	-	-	-	Fl. 61.80
GIST-BROC. C	Fl. 40	158	0.40	77	2.10	5	3.20	Fl. 37.50
HEINEKEN C	Fl. 150	5	0.60	51	4.20	1	6	Fl. 139
HEINEKEN P	Fl. 140	27	3	27	6.10	2	8.50	Fl. 139
HOOGOVENS C	Fl. 65	160	1	35	3.80	-	-	Fl. 62.40
HOOGOVENS P	Fl. 65	573	3.40 A	-	-	-	-	Fl. 62.40
KLM C	Fl. 40	554	0.40	336	1.50	147	2.50	Fl. 36.10
KLM P	Fl. 40	276	3.90	309	4.70	102	5.40	Fl. 36.10
KNP C	Fl. 170	322	5.80	128	12.50	1	16.50	Fl. 173
KNP P	Fl. 180	37	8.50	-	-	-	-	Fl. 173
NEDLLOYD C	Fl. 230	1	1.90	34	9.70	-	-	Fl. 221.50
NEDLLOYD P	Fl. 210	25	0.90	-	-	35	10.50	Fl. 221.50
NAT.NED. C	Fl. 65	45	1.20	45	3.20	3	5	Fl. 64.10
PHILIPS C	Fl. 35	129	0.20	298	1.30	23	2.10	Fl. 32.20
PHILIPS P	Fl. 35	19	3	35	4	104	5	Fl. 32.20
ROYAL DUTCH C	Fl. 230	91	1.20	298	6.60 A	23	10.50	Fl. 222.60
ROYAL DUTCH P	Fl. 220	213	2	45	5	7	7	Fl. 222.60
UNILEVER C	Fl. 120	570	0.90	51	3.70	7	6.50	Fl. 114.90
UNILEVER P	Fl. 110	135	0.80	3	3.70 B	3	5.40 B	Fl. 114.90
VAN OMMEREN C	Fl. 35	-	-	-	-	51	1.10	Fl. 30
VAN OMMEREN P	Fl. 35	-	-	-	-	11	5.10	Fl. 30

TOTAL VOLUME IN CONTRACTS : 18,437

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	12	City Merchants Bank	12	NatWestminster	12
Adam & Company	12	Clydesdale Bank	12	Northern Bank Ltd	12
AAB - Allied Arab Bk	12	Comm. Bk. N. East	12	Norwich Gen. Trust	12
Allied Irish Bank	12	Co-operative Bank	*12	PRIVATbanken Limited	12
● Henry Ansbacher	12	Coutts & Co	12	Provincial Bank PLC	13
ANZ Banking Group	12	Cyprus Popular Bk	12	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	12	Roxburghe G'rantee	12½
Authority Bank	12	Duncan Lawrie	12	Royal Bk of Scotland	12
● B & C Merchant Bank	12	Equatorial Bank plc	12	Royal Trust Bank	12
Banco de Bilbao	12	Exeter Trust Ltd	12½	● Smith & Williamson Secs.	12
Bank Hapoalim	12	Financial & Gen. Bank	12	Standard Chartered	12
Bank Leumi (UK)	12	First National Bank Plc.	13	TSB	12
Bank Credit & Comm	12	● Robert Fleming & Co.	12	UDT Mortgage Exp	¶12.75
Bank of Cyprus	12	Robert Fraser & Ptnrs.	12½	United Bk of Kuwait	12
Bank of Ireland	12	Girobank	12	United Mizrahi Bank	12
Bank of India	12	● Guinness Mahon	12	Unity Trust Bank Plc	12
Bank of Scotland	12	HFC Bank plc	12	Western Trust	12
Banque Belge Ltd	12	● Hambros Bank	12	Westpac Bank Corp.	12
Barclays Bank	12	Heritable & Gen Inv Bnk	12	Whiteaway Laidlaw	12½
Benchmark Bank PLC	12	● Hill Samuel	§12	Yorkshire Bank	12
Berliner Bank AG	12	C. Hoare & Co.	12		
Brit Bk of Mid East	12	Hongkong & Shangh	12		
● Brown Shipley	12	● Leopold Joseph & Sons	12		
Business Mtge Tst	12½	Lloyds Bank	12		
CL Bank Nederland	12	Meghraj Bank Ltd	12		
Central Capital	12	McDonnell Douglas Bnk	12.5		
● Charterhouse Bank	12	Midland Bank	12		
Citibank NA	12	Mount Banking Corp.	12		
		Nat Bk. of Kuwait	12		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Savewise 8.47%. Top Tier-£10,000+ instant access 11.06% ¶ Mortgage base rate. § Demand deposit 7%. Mortgage 12.375% - 12.75%

LONDON STOCK EXCHANGE

Market pauses for second thoughts

THE MAJOR UK investment institutions continued to show a cautious stance towards equities yesterday, despite the improvement reported on Tuesday in the UK trade figures for last month. Share prices held steady without managing to sustain attempts to push forward. Some US buyers reappeared, this time concentrating on ICI and Reuters, but it was a quiet session for the broad range of equities.

Overnight analysis of the August trade figures by market pundits stressed that with the deficit still the second largest monthly figure on record, it was much too soon for a shift in views on equities.

Account Dealing Dates		
*First Dealings:		
Sep 19	Oct 3	Oct 17
Option Declarations:		
Sep 29	Oct 13	Oct 27
Last Dealings:		
Sep 30	Oct 14	Oct 28
Account Day:		
Oct 10	Oct 24	Nov 7

*New time dealings may take place from 9.00 am two business days earlier

"We wouldn't expect the institutions to become major buyers of equities until the UK economy shows more definite signs of slowing down", commented Mr Kevin Gardner, UK economist at Warburg Securities. The firm remains optimistic on equities, standing by its earlier projection that the FT-SE will end the year around the 2,000 mark.

The rally may come towards the end of next month, believes Warburg, when the economy begins to slow down, improved corporate results start to flow and Mr Nigel Lawson, the UK Chancellor of the Exchequer, makes his Autumn statement.

The market survived an early bout of profit-taking yesterday and was moving higher until firmness in the pound checked the major export issues late in the day. Prices were also discouraged when Wall Street opened sluggishly.

ICI remained a strong feature throughout as the buying from across the Atlantic backed up bullishness by *some* major London houses. Reuters, the international newsagency, also came in for transatlantic support after announcing *moves to cut costs* and improve efficiency. But Glaxo ran into further profit-taking.

The FT-SE Index closed a net 4.5 points up at 1812.5. Seaq volume, at 418.3m shares, remained high by recent standards, but oil shares, the most active sector, were on the downside as some London houses warned on the outlook for crude prices.

Among the major corporates reporting interim results from Tesco, the UK food supermarket group, failed to excite a *market* which regarded them as a further indication of a slowdown in food retailing.

The speculative sector, although more subdued than *last week, continued* to throw up features. A late flurry of buying took Consolidated Gold Fields to £13⅞ on suggestions, reportedly from South Africa, that Minorco was about to lift its terms to between £14½ and £15 a share, possibly in cash.

In the publishing sector, both Reed International and Pearson gained ground. Consumer stocks continued to respond to expectations that domestic spending will stay high, and were featured again by Bass.

FINANCIAL TIMES STOCK INDICES

	Sep 28	Sep 27	Sep 26	Sep 23	Sep 22	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	*87.80*	*87.78*	*87.30*	*87.16*	*86.97*	*85.55*	*91.43 (18/4)*	*86.28 (2/9)*	*127.4 (9/1/35)*	*49.18 (3/1/75)*
Fixed Interest	96.36	96.36	96.10	96.21	96.00	91.61	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1465.4	1459.1	1448.5	1446.8	1440.7	1853.7	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	170.8	168.2	164.0	164.6	162.7	453.1	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Sep 28	Sep 27	Sep 26	Sep 23	Sep 22	Year Ago
Ord. Di. Yield	4.72	4.75	4.78	4.77	4.79	3.16
Earning Yld %(full)	11.91	11.87	12.05	11.98	12.03	7.74
P/E Ratio(Net)(☆)	*10.17*	*10.12*	*10.05*	*10.12*	*10.08*	*15.82*
SEAQ Bargains(5pm)	23,112	22,740	19,578	20,372	20,888	35,856
Equity Turnover(£m)†	-	927.23	735.56	904.57	1089.89	1891.17
Equity Bargains†	-	21,743	20,913	20,896	22,240	42,828
Shares Traded (ml)†	-	348.1	271.7	305.7	353.0	645.6

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1455.8	1464.1	1467.4	1468.2	1467.1	1467.1	1466.1	1467.1

DAY'S HIGH 1467.7 DAY'S LOW 1455.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, *Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.09 †Excluding intra-market business.*

● S.E. ACTIVITY

Indices	Sep 27	Sep 26
Gilt Edged Bargains	136.4	97.7
Equity Bargains	140.9	135.5
Equity Value	1874.2	1486.8
5 – Day average		
Gilt Edged Bargains	99.5	90.6
Equity Bargains	139.7	134.5
Equity Value	1936.6	1351.0

● London Report and latest Share Index: Tel. 0898 123001

C&W on call for T.Rentals

The £284m cash bid for Telephone Rentals (TR) from telecommunications group Cable & Wireless came as a pleasant surprise to the market – Telephone Rentals shares leapt to close at a net 122 higher at 333p. Dealers said the performance of TR shares "signalled the likelihood of an increased offer for the group".

Cable & Wireless shares, however, dipped to 380p as an initial reaction to the news, before staging a sharp rally and eventually closing 3 higher on balance at 388p. Turnover in C & W, a strong performer over recent weeks as many top-rated brokers have upgraded their profits forecasts for the group, came out at 8.6m shares.

Cable & Wireless, giving details of the bid, of 305p a share, said Telephone Rentals and Mercury, the C & W subsidiary, would prove a "natural fit".

Brian Newman, electronics analyst at Chase Manhattan Securities, said: "A now profitable Mercury and TR's national sales and service operations would be an excellent merger." The Chase analyst added, "we believe a counter bid from other majors in the industry such as Plessey, GEC, Siemens and Northern Telecom is unlikely, but we also believe an agreed bid is unlikely below 350p."

Prolific Unit Trust Managers announced late yesterday they had upped their stake in TR to 5.37 per cent.

Peak for Allied

Currently rated the "major play" of the London equity market, Allied-Lyons burst through the year's high point to end 16 up at 464p. The latest surge owed much to a resumption of buying from Smith New Court, the marketmaker responsible for Friday's heady rise in Allied stock. Smith signalled its intentions of bidding *for shares on the trading* screens, and, for a while, rival dealers thought there was no price limit to Smith's bids.

The Seaq screens soon disclosed efforts by Smith's rivals to stay out of the contest, by keeping their quotations outside the best offered range. A good deal of intra-market business developed with some traders claiming that it accounted for over sixty per cent of the day's volume of 8.8m.

Allied's shares later ran beyond the price of the buyer, who was believed to be acquiring shares on behalf of Bond Corporation. Speculation persists that the Australian group is intent on increasing its stake in Allied to around 10 per cent. But there were also other buyers.

Citicorp Scrimgeour Vickers is advising clients that it estimates the break-up value of the Allied-Lyon business in excess of £7 per share. The securities house believes: "Undervalued assets and a leading position in a number of industries make Allied an attractive target for a potential predator. However, the strong bid defence which the company could currently put together encourages us in the view that a bid is not imminent, nor a takeover currently feasible."

ICI recommended

ICI continued to attract reasonable interest, although volume failed to match the previous day's level. Further institutional demand was reported and US buyers made their presence felt late in the day, leaving the shares 13 dearer at 1026p. A change in sentiment towards ICI's prospects appeared to lie behind the movement and the increase in activity.

In an extensive review of the company, Nomura Research take the view that except for investors who expect that sterling's new-found strength will be a permanent feature of the markets in the future, ICI now represents sound long-term value. For those worried about the currency factor, Nomura suggests trading actively on the basis of foreign exchange movements.

BZW, the securities house, also rate ICI as attractive, provided there is no strong adverse movement in the DM currency rate. BZW report good indications as to underlying trading in the third-quarter, particularly in the group's bulk operations.

Lonrho began another surge *forward, encouraged by the* Johannesburg speculation of a higher bid for Gold Fields. US buying interest was noted in both stocks, but Lonrho recorded the larger turnover (11m shares), reflecting the willingness of domestic investors to get involved in a situation which they believe will in time unfold further.

There was also an air of expectancy among dealers. "It would be foolhardy to go short of this one at the moment", said a trader as the shares reclaimed Tuesday's lost ground to close 10 higher at 347p. Mr Asher Edelman, the US corporate raider holding nearly 5 per cent of Lonrho, may have acquired more stock yesterday, *but not in any size.*

International stocks were featured by Reuters which raced ahead in a volume of 1.2m shares to close 18 up at 518p. US buyers were reported to have been aroused partly by the company's decision to reorganise trading activities into areas covering three time zones in a move designed to cut costs and improve efficiency.

Reed International also moved into the spotlight, advancing 14½ to 417½p in a volume of 1.7m amid a revival of speculative activity. Market talk centred on suggestions that Mr Robert Maxwell may, if his takeover bid for Macmillan fails, turn his attention to Reed. It was announced yesterday that Octopus Publishing, a subsidiary of Reed, has acquired 60 per cent of Budget Books of Australia for A$6.6m.

Hanson were briskly traded (6.6m shares) and settled a few pence to the good at 466p. *Beecham, 100, nudged 3 higher to* 466p, but there was a noticeable decrease in volume.

A growing recognition of Bass, the brewer most closely identified with consumer trends, accompanied further good investment activity and another strong advance of 18 to 793p in the shares. Kitcat & Aitken has joined the ranks of the stock's recent admirers with the rating of a "seriously undervalued" situation.

Several analysts have suggested switches from the likes of Whitbread to Bass because of the latter's underperformance this year but the advice failed to deter Whitbread "A" shares rising and the close was 5 up at 300p. Elsewhere Mansfield gained 13 to 433p in thin trading.

News that West Germany's Deutsche Bank has bought the Australian securities house Bain & Company, triggered stories in London that the German bank may now move to expand its UK presence by launching a bid for Morgan Grenfell where it already has a near 5 per cent stake. Morgan shares jumped 11 to 281p. Willis Faber, the insurance broking firm which holds a 20.7 per cent stake in Morgan Grenfell, rose strongly late in the day and closed 10 higher at 244p, *with interest here also stimulated* by vague talk of a management buy-out.

Christies International, reflecting a favourable response by analysts to the interim figures, met with fresh buying and put on 12 more to 553p. Renewed takeover speculation left Pearson 8 to the good at 765p. Rank Organisation continued to make progress at 697p, up 7, along with Bowater, which gained 3 further to 412p.

Next continued to retreat in the wake of the bottom-of-the-range interim figures. The shares eventually 5 off at 177p, after 176p on turnover of 1.8m. Among numerous profits downgradings yesterday BZW lowered their current year forecast for Next down to £94m while Phillips and Drew moved down to £100m and County NatWest Woodmac to £96m.

Pittard Garnar raced up 12 to 178p ahead of news of the 190½p a share bid from Strong & Fisher; the latter were 2 off at 258p.

The Cable & Wireless bid for Telephone Rentals prompted widespread support among the electronics and eletcrical issues. National Telecoms, especially were given a sharp push and imporoved to close 9 higher at 149p. Ferranti, reflecting its major cordless telephone interests and news of the signing of the big Malaysian arms deal, touched 97p before closing a net 5¼ up at 95¼; turnover was 9.6m.

Takeover hopes continued to sustain James Neill which advanced afresh to 240p, up 9, for a two-day gain of 39; BM Group revealed a 4.87 per cent holding in the group on Tuesday. Elsewhere in the Engineering sector, speculative activity left Myson 8 to the good at 179p and Renold 5½ dearer at 70p.

Tesco closed 4 off at 132p as higher interim profits failed to satisfy the market. Turnover, however, was unexciting at 3.7m shares, and the market read the figures as "almost routine", and tending to confirm a slowdown in volume *growth at Tesco. Other food* retailers remained sluggish.

Food manufacturer stocks had a calmer session after Tuesday's activity. There was support for Ranks Hovis McDougall but the gain of 8 to 388p in the shares was accompanied by only moderate trading.

Northern Foods (373p) continued to find speculative buyers and Dalgety (313p) and S & W Berisford (388p) were also firmer again. Cadbury Schweppes (373p), however, relapsed back into quiet trading.

The Building sector recorded several noteworthy movements, most of which were attributed to a squeeze on bear positions. Ward Holdings featured a rise of 12 at 131p, while Steetley, which have drifted lower since announcing interim figures, revived with a gain of 6 to 328p.

Press speculation of either an increased bid from Mecca Leisure or a counter offer for Pleasurama produced an early mark up of the latter which subsequently closed a net 14 higher at 227p on turnover of 3.1m. Mecca shares were 3 off at 171p.

Lucas Industries went on another run, rising 11 to 587p, but the moderate volume of trade suggested that the movement owed more to a squeeze on marketmakers' positions than a renewal of recent demand. Dowty continued to benefit from the award of a large contract from Airbus Industrie, *gaining 6½ to* 211½p, and Lex Service added 6½ more at 372½p.

Land Securities moved up 6½ to 562p in turnover of around 2m after the group announced plans for a £200m debenture placing along with a progress report.

Ocean Transport came with a late flourish, responding to speculative talk of bid possibilities and closing 10 higher at 245p.

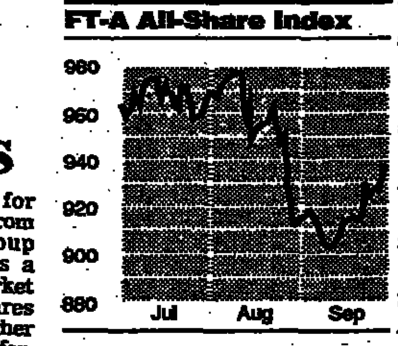
Candover Investments advanced a peak for the year of 420p, up 20, as Citicorp Scrimgeour Vickers drew attention to the company's strong net assets growth in the first six months of 23 per cent – more than double that of the market over the same period.

Ultramar attracted good demand early in the session *with the old shares up to 249p* before coming off and closing a net 5 firmer at 244p. Ultramar "new" posted a 6 gain at 45½p after 49p; rumours in the market suggested a stake-building operation, other than that of Sir Ron Brierley, could well be in motion.

A sharp increase in activity in traded options – partly caused by expiry day – saw turnover expand sharply to 56,763 contracts made up of 43,400 calls and 13,363 puts. The biggest turnover was in Sears where there were 7,261 calls and 1,125 puts. Trusthouse Forte attracted 5,460 calls and 228 puts. In Hanson there were 4,072 calls and 2,477 puts.

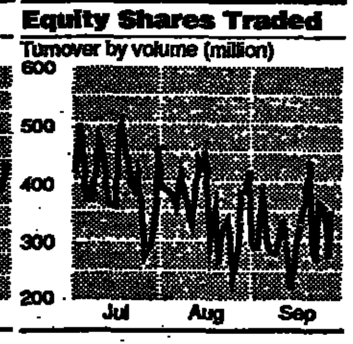
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (28).

BRITISH FUNDS (2) Conv. 3½pc '61, Treas. 2pc IL '90, ELECTRICALS (1) Tele. Rentals, ENGINEERING (5) ASW Hldgs., Haden MacLellan, Neill (James), Ransomes Sims, Verson Intl., FOODS (1) Appleby Westward Grp., INDUSTRIALS (5) Alfa-Laval AB "B", Hornby Group, Hughes (HT), Hunter, Johnson Cleaners, INSURANCE (1) Alexander & Alexander, LEISURE (1) Castle Communications, PROPERTY (1) Estates & Gen., TRUSTS (9) Brunner Inv., Cambrian & Gen., Do. 7½p. Contl. Assets Tst, German Securities, Mezzanine, River Plate Zero Div Pf, Schroder Global, Candover Inv., OVERSEAS TRADERS (1) Finlay (Jas.), PLANTATIONS (2) Lawrie Group, Williamson.

NEW LOWS (83).

CANADIANS (4) Armeno, Augmitto Expln., Breakwater, Geodome Res., BANKS (1) Union Discount, BUILDINGS (1) Bellwinch, STORES (4) Helene, Mallett, Next, Ratners, ELECTRICALS (2) Britannia Sec., MBS, INDUSTRIALS (9) Aberfoyle Hldgs., Elswick, DSC, Interlink Express, Kenyon Securities, Laidlaw Thomson, Mosaic Invest., Pergamon Prof. & Fin. Servs., Tribble Harris, INSURANCE (1) Sturge Hldgs., MOTORS (1) March Group, NEWSPAPERS (1) Maxwell Comms. Corp., PAPERS (1) Peters (Michael), PROPERTY (2) Waterglade 7.75% Prf., Westfield, TEXTILES (1) Courtaulds, OILS (3) Cluff Res., Cluff Oil Wrnts., Shell Trans. Reg., MINES (1) Spargos, THIRD MARKET (1) Barbican Hldgs..

APPOINTMENTS

Adrian Daly to join Allied Irish

■ ALLIED IRISH BANK has appointed Mr Adrian Daly as managing director designate of the bank's proposed life assurance subsidiary. He has been managing director and general manager of Prudential Life, Italy.

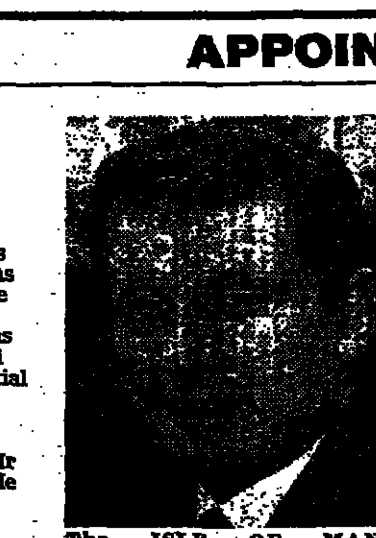
■ RAYMOORE ENGINEERING has made Mr Rodney Abbott a director. He was manager of the testing division.

■ The CHASE MANHATTAN BANK has appointed Lord Carrington to the bank's international advisory committee. He is chairman of Christie's International. The committee was established in 1965 to advise the bank on business and economic issues affecting its international operations.

■ Mr Peter Job, managing director of Reuters Asia, has become an alternate director of REUTERS HOLDINGS.

■ STODDARD GROUP has made the following appointments: Mr Stanley Peters, group production director, and Mr Rod Turnbull, group finance director, have been promoted to deputy group managing directors.

■ Mr T.N. Sparkes has been appointed to the board of HIGHLANDS INSURANCE CO (UK) as an alternate director with the title of senior underwriting deputy.



The ISLE OF MAN BREWERIES GROUP has appointed Mr Steve Dickson, finance director, as deputy chairman.

■ The PHOENIX TIMBER GROUP has made Mr D.M. Peggie managing director of the group's manufacturing and subcontracting division. Mr *R.D. Sykes* has been appointed managing director of the timber importing and distribution division and Mr I. Tozer managing director of the Protim property care services division.

■ At OFFSHORE DRILLING SERVICES Mr Steve Wood has been appointed sales and marketing director and Mr *Michael Low financial* director.

■ BERISFORD FACTORS, a wholly-owned subsidiary of S. & W. Berisford, has appointed Ms Patricia Cooper a director. She will be responsible for sales and marketing.

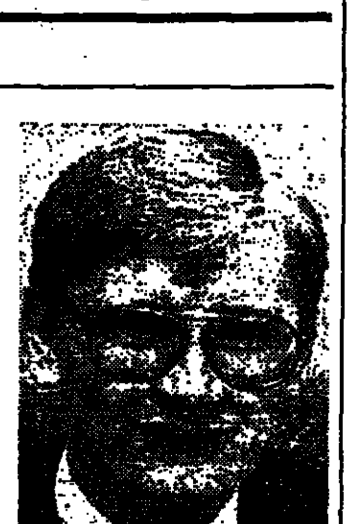
■ ASHLEY GROUP has made Mr Chris Tipper its finance director. He replaces Mr Brian Wright who was finance director of Ashley Industrial Trust for four years prior to the acquisition of DIGSA.

■ At LYNTON PROPERTY & REVERSIONARY Mr Maurice Lambert has been confirmed as chairman and Mr Gordon Edington as managing director. Mr Jeremy Marshall and Mr Nigel Ellis, respectively chief executive and finance director of BAA, have joined the board. Mr Kenneth Rubens, Mr Hamish Preston, and Mr Gordon Simpson have resigned.

■ TOPS ESTATES has appointed Mr Vincent Desson, a non-executive director for the last five years, as managing director.

■ SIMON ENGINEERING, services and contracting group has made Mr Eric Machell business development director from October 1. He joins from Trafalgar House where he was executive director of a French joint venture.

■ Mr David A. Milner has been appointed managing director of ELLIS INTEGRAL VALVE LOCKS, a Halma subsidiary. He remains technical director of Halma subsidiary Castell Safety International.



At CENTRAL INDEPENDENT TELEVISION, Mr Kevin Betts, finance director, has become a member of the board.

■ Mr Bill Pipe has been made sales director of ABBEYGATE, the financial services design and print group. He was sales director of the webb-offset and commercial division of Greenaway-Harrison.

■ Mr Geoffrey Williams, managing director of Ansvar Insurance Co, has been made a director of EASTBOURNE MUTUAL BUILDING SOCIETY.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price $	+ or –	Div Gross	C'vr	Y'ld Gr's
27⅛	22⅞	Texas Instr. $1	24½xd	–½	72c	—	1.7
69	43¼	Time Inc. $1	63⅛xd	–⅞	$1.00	—	0.9
21½	15⅞	Transamerica $1	21⅛	....	$1.84	—	5.1
20⅛	14½	TRINOVA Corp.	15⅞	–½	64c	—	2.4
19	15⅛	USX $1	16½	.....	$1.20	—	4.3
23½	17⅜	Utd Technologies	23½xd	.....	$1.60	—	4.0
34	26¼	US West	33⅞	–⅛	$3.52	—	6.1
24⅝	16⅞	Waste Management $1	23¼	–⅞	48c	—	1.2
16⅞	12⅞	Whirpool $1	15⅛	–¼	$1.10	—	4.5
32	18¼	♥Woolworth $3½	31⅞	.....	$1.64	—	3.0

CANADIANS

1988 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp	201p	–7	—	—	—
32p	11p	♥Abbot Energy Corp.	13¼p	....	—	—	—
14¼	916p	♥Amer. Barrick Res.	10⅛	+⅛	—	—	—
10p	3p	American Lightware	6¼p	–1¼	—	—	—
47p	11¼p	♥Armeno	11¼p	–1	—	—	—
76p	38p	Augmitto Expln.	38p	–3½	—	—	—
14⅛	10⅝	Bk. Montreal	13¼	–¼	$2.00	—	7.1
740p	514p	Bk. Nova Scot.	713p	–12	76c	—	5.2
18⅛	15¼	BCE	17⅜	....	$2.44	—	6.6
716p	591p	♥Bow Valley	645p	.....	+40c	—	3.0
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

41½	2¼	Swanyard Studios 1p γ	3¼	......	—	—	—	♦
298	200	Takare......... γ	271	......	b1.0	8.1	0.5	27.8
70	41	Theme Holdings......	66	......	♦1.1	♦	2.2	♦
36	26	Tomorrows Leisure 20p γ	28	......	—	—	—	♦
25	13½	Tullow Oil 10p..... γ	18	......	—	—	—	—
139	110	UPL Group 10p..... γ	110	......	L2.41	4.3	2.9	15.0
182	120	Unit Group......... γ	168	......	5.0	♦	4.0	♦
125	85	Video Tape Rec 5p γ	110	......	L2.3	2.3	2.8	15.8

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◊ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	71	+1
Craig & Rose £1.. γ	690	−10
Finlay Pkg. 5p.... γ	86	......
Holt (Jos) 25p..... γ	£11¼	−¼

IRISH

Cap. 8½% Ln 1991...	£98⅜	......
9pc Cap Ln. 1996..	£100⅜	+¼
Fin. 13% 97/02...	£129	......
Arnotts........... γ	400	......
Carrol Inds......... γ	159	+1
Grafton Grp....... γ	130	+2
Hall (R. & H.).......	165	......
Helton Hldgs....... γ	50	−6
Irish Ropes......... γ	135	−28

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	56
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	65
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45
Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50
Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26
Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

COMMODITIES AND AGRICULTURE

Coffee prices surge again on pact hopes

By David Blackwell

COFFEE PRICES surged again in London yesterday on continuing optimism that producers and consumers will be successful in sorting out their differences at the International Coffee Organisation talks.

The US, the world's biggest consumer, and West Germany yesterday refined a proposal for establishing the total world export quota, through which the ICO attempts to stabilise prices. The proposal is virtually a mirror image of the Brazil/Colombia proposal which emerged from the producer side on Tuesday.

But traders feel that an agreement will be struck by the time the talks close on Friday. "One side is starting with an orange and the other with a lemon," said one, "but at the end of the day they will end up with a bowl of fruit."

On the London Futures and Options Exchange (Fox) the three-month robusta contract closed up £37 a tonne at £1,212 a tonne – the highest closing level since March 3. Volume was high at 10,508 lots.

Dealers ignored the wide gap between the producer and consumer proposals as roasters and fund buying returned to the market, in turn triggering stop-loss buying orders. Some were predicting a further rise of £100 a tonne or more in the next few days.

In addition continued dry weather in Brazil overnight aided sentiment.

Meanwhile delegates at the ICO talks continued to examine closely the two proposals for setting a total export quota. The US/West German plan envisages an initial quota of just over 60m bags (60 kg each), which would be cut in stages to push the price into the 120 to 140 cents a lb defence range. However, if the ICO indicator price for the so-called other milds (top quality arabicas) remained at over 130 cents a lb, arabica coffee would be exempt from the quota cuts.

Last night the main ICO indicator price, used for the defence range, was 113.68 cents a lb, while other milds were at136 cents a lb and robustas at 94 cents a lb.

Consumers have argued all along for an increase in the amount of arabica coffee available for export. Analysts said on Tuesday that Brazil and Colombia, the two biggest producers, had taken this on board in their quota proposal, which envisages an initial quota of 54m bags. This would be increased in stages once the ICO indicator price reached 120 cents a lb, with the increase going wholly to arabica coffee if the price differential remained at more than 25 per cent.

"There are a lot of ideas on the table, material for good negotiations," said one delegate last night. "But there's still a hell of a gap."

Platinum supply tightness forecast

By Kenneth Gooding, Mining Correspondent

JOHNSON MATTHEY, which claims to be the world's largest refiner and supplier of platinum group metals, yesterday departed from its usual policy of not making long term supply and demand predictions.

It was apparently spurred into action by the recent weakness in the platinum price, which it believes is merely following gold.

Johnson Matthey predicts that demand for platinum will continue to put pressure on the supply of newly-mined metal over the next five years.

It forecasts that demand will grow in that time by about 540,000 troy ounces, or 16 per cent, to 3.86m ounces. However, the supply of new metal will increase only gradually to 3.85m ounces, "creating a delicate state of supply-demand equilibrium by 1993."

In addition, the group gave a preview of its interim review of the platinum market, due to be published in November, and suggested that there will be a significant shortfall in supply this year. Demand is forecast to exceed supply of newly-mined platinum by about 450,000 ounces.

The platinum spot price in London, which has fallen from $551.50 an ounce in the past month to $487 on Monday, recovered some ground yesterday after the Johnson Matthey statement and ended $3.50 up at $492.50 an ounce.

Price rise poses dilemma for tin producers

Wong Sulong assesses the prospects for continued export control

THE MINISTERIAL meeting of the Association of Tin Producing Countries in the Nigerian capital of Abuja on October 24, will be confronting some delicate issues. It needs to find an acceptable level of exports that satisfies the increased production capacity of producers while sustaining the steady recovery of the commodity's price since it collapsed nearly three years ago because of the insolvency of the price-supporting International Tin Council.

In view of this, the seven ATPC members – Malaysia, Indonesia, Thailand, Bolivia, Australia, Nigeria and Zaire – are expected to exert renewed pressure on Brazil and China, the biggest non-member producers, to join the organisation.

"The Brazilians and Chinese have been attending ATPC meetings as observers since it was set up several years ago, and we feel it's time they committed themselves," said a senior Malaysian official.

Recently, Dr Lim Keng Yaik, Malaysia's Minister of Primary Industries, renewed his country's offer to join the International Cocoa Organisation as a *quid pro quo* for Brazil joining the ATPC.

With prices recovering steadily in line with the gradual depletion of overhanging tin stocks, the association is faced with the sensitive problem of whether its supply rationalisation scheme can be effectively extended for a third successive year.

If the answer is in the affirmative, it will still have to decide on the optimum production level and how to distribute this among its membership, which is becoming increasingly anxious to increase overseas sales.

ATPC officials say the membership of Brazil and China would add credibility to such decisions for the benefit of all producers.

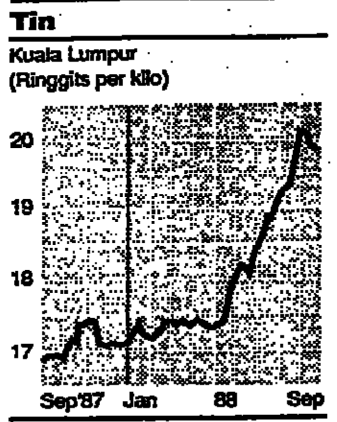
Most market analysts are still bullish about the market. Tin prices, which are currently above 19 ringgit a kilogram (equivalent to about £4,230 a tonne) on the Kuala Lumpur tin market, are expected to rise further to reach 22 ringgit to 24 ringgit a kilogram next year. In early September the price breached the 20-ringgit level for the first time since the 1985 collapse.

Prices above 20 ringgit are likely to attract increased production, not only from low cost producers like Brazil, China and Indonesia, where production costs are generally around 10 to 12 ringgit a kilogram, but even from high cost producer like Malaysia, where it costs around 15 ringgit to produce a kilogram of tin.

Apart from their lower labour costs, the three countries have richer grades of ore than Malaysia, where tin deposits have been extensively exploited for the past century.

Tin

Kuala Lumpur (Ringgits per kilo)



More than 200 Malaysian mines were closed following the tin market collapse in October 1985, when prices plunged from 30 ringgit to as low as 14 ringgit a kilogram. Since last year, about 40 mines in Malaysia have reopened.

At 24 ringgit a kilogram, the three Asian banks (Malayan Banking, Bank Bumiputra and Bank of Tokyo), which are holding 19,000 tonnes as collateral on loans to the International Tin Council, can be expected to make some disposals.

The US could also sell more tin from its 170,000 tonne stockpile. The US promised the Association of Southeast Asian Nations in 1983 to keep its sales within 3,000 tonnes a year, but sold 5,000 tonnes in 1986 and 4,000 tonnes last year.

At the time of the tin market collapse there was a surplus of more than 100,000 tonnes overhanging the world market. This had been whittled down to 47,000 tonnes by last April, according to ATPC figures. The process of depletion is continuing at a rate of about 1,500 tonnes a month.

World demand has been steady, meanwhile. It was around 170,000 tonnes last year and can be expected to rise moderately this year, given the greater demand for tin plate because of high aluminium prices. World consumption was around 200,000 tonnes in the 1970s.

While the tin industry is showing an optimism almost unthinkable three years ago, the danger of oversupply remains very real, given that many countries are in a position to increase output substantially even at current prices.

Under the current rationalisation scheme, members of the producers association have been allocated shares in a global export quota of 101,900 tonnes. Meanwhile Brazil and China have been undertaking to limit their exports to 26,500 tonnes and 10,000 tonnes respectively.

If they decide to extend the scheme for a third year, the ATPC ministers are expected to sanction an increase in export quota to probably 110,000 tonnes.

Brazil, which is reported to have built stocks of 17,000 tonnes, will be seeking ATPC approval for an export level of anything between 31,000 and 33,000 tonnes, while China could be planning for an export volume of 12,000 to 13,000 tonnes.

Brazil is expected to overtake Malaysia as the biggest tin producer next year.

A recurring problem for the association (as was the case for the ITC in the past) in fixing permissible export levels for members is the lack of precise figures for consumption.

China's production capacity is also difficult to verify. For example, it was supposed to limit its exports to 7,500 tonnes in 1987, the first year of the rationalisation scheme, but actually sold more than 18,000 tonnes because provincial authorities wanted to earn foreign exchange. That problem has apparently been resolved.

In view of the fact that the ITC will be closing down at the end of the year, the ATPC is proposing the setting up of an international tin study group to carry on the job of data collection and provide a forum for the exchange of views between producers and consumers, very much on the lines of the International Rubber Study Group.

Australia in coal price battle

By Chris Sherwell in Sydney

AUSTRALIAN STEAMING coal exporters and Japanese power utilities have begun issuing threats and counter-threats as their protracted negotiations over the pricing and quantities of this year's supplies enter a critical phase.

The Australian producers are seeking a 25 per cent rise in the price of their steaming coal, from US$29.40 per tonne last year to US$36.75 this year. The Japanese utilities initially sought no change, but are thought to have since indicated a readiness to pay US$33-34.

The next few days are important because the year for which the contracts run will by then be half over. The contracts were supposed to begin in April, the start of the Japanese financial year, but this year the negotiations ran into trouble at an early stage.

In the interim the two sides have agreed to provisional prices on a month-by-month basis – mostly, it is thought, at last year's prices. But now Australian media reports from Japan have said the Australian exporters will ship coal from October only at a price of US$36.75.

For its part, Japan is said to have withdrawn a 120,000 tonne Australian coal shipment in favour of a US supplier, and to have threatened to place additional orders with the US and other countries. Japan is already under pressure from the US to take more American coal.

By all accounts, the Australian producers are showing considerable unity and resolve in their determination to hold out for the price they want. They also appear to have received the support of the Australian Government, although Canberra is not yet intervening in the matter.

In the suppliers' favour is *the quality of Australian coal*, its cheapness in relation to other suppliers, a generally dependable delivery and a firm spot market.

Against them is their need to maintain cash flows through orders from Japan and the weakening world oil price, both at a time when the Australian dollar is far stronger than last year against the US currency.

Meanwhile there is the additional risk at home of further industrial action by mineworkers protesting against sweeping changes in working practices ordered by the Coal Industry Tribunal earlier this month. The coal unions are still discussing the proposed changes, which they greatly dislike.

The outcome of the steaming coal negotiations is important to both sides because about one-third of Australia's steaming coal exports go to Japan, where they have captured some 70 per cent of the market. Even if the Australians win improved prices, the longer-term reality is that they will have difficulty holding on to this market share.

Peru to step up jungle oil production

By Sarita Kendall in Lima

PERU HAS reached agreement with Occidental Petroleum Corporation to boost its jungle oil production by 20,000 barrels a day – just enough to cut back current crude oil imports by early next year.

However, it has shelved a preliminary agreement for the development of a major gas find made in the south central jungle by Royal Dutch Shell in what appears to be a political decision to avoid confrontation with the opposition.

Shell is contesting the Peruvian Government's decision to call an international tender for development rights to the gas find. The company says that it has spent $175m on exploration leading to the find and is willing to put up a substantial amount of money for the $1.3bn development project.

The Government last week rejected an appeal presented by Shell against preparations for the tender, instead naming a commission to lay down guidelines. Petroperu, the state oil company, ended negotiations with Shell for the gas development project on August 31, after Shell asked for an extension of the deadline to raise financing for the project.

Petroperu implied at the time that Shell bowed out of the deal. Shell subsequently stated that it had not called off the talks and that under the terms of the outline agreement signed with Petroperu in March, either party could ask for an extension.

The agreement called for Shell to invest $410m in development of the gas fields and 25 per cent of the cost of the pipeline, taking its total investment to around $600m. It was also to assist Petroperu to arrange financing for the balance.

During negotiations in August, Petroperu asked Shell to cover the full cost of the project. It has since told the company it is still open to suggestions along those lines, although it said that negotiations on the development had officially ended. Shell has told Petroperu that it disagrees with its interpretation of the contract.

Peru's about-face in the Shell negotiations after joint talks and study since early 1987 came after repeated opposition to the project from political parties.

Left-wing politicians said that the United Left coalition, if it were elected in 1990, would rescind the contract. Mr Abel Salinas, who was Minister of Energy and Mines until this month, said that the political threat had caused Shell to hold back.

Banking officials say even if another oil company shows interest, it would take at least six months to raise the money, especially if Peru fails in its efforts this week to reinstate itself with the international banking community.

Peru, at the same time as it stopped talks with Shell, reached agreement with Occidental Petroleum, the only other international oil company operating in Peru, on a $60m project to boost production in northern jungle fields.

Agreement follows settlement of a $140m quarrel over fees, current exchange rates, and taxes, during which production of Occidental fields fell to 50,000 barrels a day from 75,000 barrels a year ago.

Under the agreement reached at the beginning of this month, output should increase by 20,000 b/d early next year, enough to cut back crude oil imports that are costing Peru over $10m a month.

Occidental has started to drill the first of 24 development wells aimed at boosting production. Output is also being renewed from 30 wells closed down over the past year for lack of spare parts and supplies.

The new agreement ensures that Occidental will be able to buy the $7m a month from the Central Bank to repair the wells.

Peru's oil reserves over the past six years have more than halved to 400m barrels, owing to lack of investment in major exploration programmes.

Reserves will run out within seven years at the present rate of production, unless new finds are made. Meanwhile, there is enough energy in the gas field for the next 50 years.

Shell estimates reserves at 12 trillion (million million) cu ft of gas and 650m barrels of condensates, equivalent to more than 1bn barrels of oil.

US attempts to reduce cotton stocks

By Nancy Dunne in Washington

THE US Agriculture Department, facing its highest cotton stocks in more than a decade, has made technical changes to its export subsidy programme to ease some of its surplus on to the world market.

US output fell slightly last year with the most recent estimates putting output at 14.7m bales. Still, exports have slid and domestic stocks are expected to climb considerably – from 5.6m bales last year to 8.2m for 1988-89.

USDA officials say that the US marketing loan subsidy programme, which boosted sales in the last two years, has failed so far this year to keep prices competitive. But technical changes in the price support scheme, announced last month, are expected to reduce US prices and once again hike exports.

In its latest cotton report, the USDA estimated 1988-89 exports at 5.3m bales, well below last year but 600,000 bales more than last month's projections.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM prices continued this week's decline on the LME, falling in the afternoon after making some advance in the morning. The morning's higher levels soon attracted renewed selling and liquidation orders against a background of bearish charts and rising LME stocks, dealers said. Some chartists said support appeared to be building in the $2,100 to $2,150 range but others saw $2,000 as an immediate target. Zinc was unsettled by aluminium's fall but later rallied as trade and speculative buying and shortcovering were attracted by the lower levels, traders said. Meanwhile cocoa prices – which are at 12¾-year lows – closed ahead on light industrial price fixing. But sentiment was weak, and rallies were likely to attract further selling from producer countries, said dealers.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$10.85-1.00z	+0.05
Brent Blend	$12.90-3.00q	+0.29
W.T.I. (1 pm est)	$14.17-4.20z	+.315
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$169-172	-2
Gas Oil	$115-116	
Heavy Fuel Oil	$50-60	
Naphtha	$129-131	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$395.5	-0.5
Silver (per troy oz)♣	616c	+1
Platinum (per troy oz)	$492.5	+3.5
Palladium (per troy oz)	$119.00	-0.35
Aluminium (free market)	$2220	+35
Copper (US Producer)	124⅝-27¼c	
Lead (US Producer)	39c	
Nickel (free market)	525c	-5
Tin (European free market)	£4405.0	-12.5
Tin (Kuala Lumpur market)	19.55r	-0.05
Tin (New York)	342.5c	-0.5
Zinc (Euro. Prod. Price)	$1312.5	
Zinc (US Prime Western)	69⅞c	
Cattle (live weight)†	108.55p	-1.98*
Sheep (dead weight)†	140.00p	-7.13*
Pigs (live weight)†	70.96p	-2.47*
London daily sugar (raw)	$249.0x	+9.6
London daily sugar (white)	$250v	+12
Tate and Lyle export price	£256.5	+5.0
Barley (English feed)	£109.5q	
Maize (US No. 3 yellow)	£127v	
Wheat (US Dark Northern)	£126.5q	
Rubber (spot)♥	62.25p	+1.25
Rubber (Oct)♥	69.25p	+1.25
Rubber (Nov)♥	69.75p	+1.25
Rubber (KL RSS No 1 Oct)	301m	+2
Coconut oil (Philippines)§	$560x	
Palm Oil (Malaysian)§	$420q	
Copra (Philippines)§	$385	
Soyabeans (US)	$199.5s	
Cotton "A" index	56.55c	-0.05
Wooltops (64s Super)	555p	+5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Oct. s-Sep/Oct. x-Oct/Nov. w-Nov/Dec. v-Oct/Dec. z-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	740	776	740	
Dec	733	724	734	722
Mar	747	738	748	732
May	760	752	760	748
Jul	777	771	777	765
Sep	795	787	792	785
Dec	841	835	839	824

Turnover: 3514 (3837) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Sep 27: 914.56 (919.49) :10 day average for Sep 28: 946.03 (951.97) .

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	1214	1170	1210	1184
Nov	1212	1175	1226	1183
Jan	1185	1144	1185	1145
Mar	1162	1114	1162	1125
May	1160	1115	1160	1130
Jly	1160	1120	1155	1130
Sep	1160	1125	1150	1135

Turnover: 10508 (5682) lots of 5 tonnes

ICCO indicator prices (US cents per pound) for Sep 27: Comp. daily 116.24 (113.97): . 15 day average 113.68 (113.33).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	212.40	216.60	220.00	211.00
Dec	209.40	215.40	213.80	212.00
Mar	205.80	211.80	212.80	204.40
May	202.40	208.60	219.60	202.00
Aug	211.40	196.00	207.00	
Oct	198.00	193.60	205.40	199.00

White	Close	Previous	High/Low	
Dec	235.00	238.00	240.00	36.50
Mar	235.00	240.00	240.50	34.00
May	236.00	241.00	237.00	
Aug	238.00	243.00	242.50	
Oct	236.00	240.00	240.00	
Dec	236.00	240.00	240.00	
Mar	336.00	240.00	237.00	

Turnover: Raw 2313 (7523) lots of 50 tonnes. White 955 (653) .

Paris- White (FFr per tonne): Dec 1520, Mar 1511, May 1511, Aug 1525 Oct 1525, Dec 1525

GAS OIL $/tonne

	Close	Previous	High/Low	
Oct	115.75	115.25	115.75	114.00
Nov	117.50	117.00	117.75	116.00
Dec	119.25	118.75	119.25	117.75
Jan	119.75	119.25	119.50	118.75
Feb	119.25	118.75	119.00	
Mar	118.50	118.00		
Apr	117.00	116.00		
May	116.00	115.00		
Jun	115.50	115.00	114.50	114.00

Turnover 5151 (7304) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Nov	108.20	108.35	108.60	108.10
Jan	111.05	111.25	111.60	111.05
Mar	113.95	114.00	114.35	113.95
May	116.90	116.90	117.35	116.80
Jun	118.80	118.50	118.80	

Barley	Close	Previous	High/Low	
Nov	105.40	105.85	105.85	105.20
Jan	108.55	108.85	108.85	108.30
Mar	110.60	110.90	110.85	110.25
May	112.45	112.90	112.50	112.45

Turnover: Wheat 379 (64) . Barley 197 (185) . Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 8,750 tonne
Cash	2165-75	2180-5		2215-25		
3 months	2135-40	2152-5	2205/2115	10350-400	2140-5	12,827 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 5,875 tonne
Cash	1265-75	1270-5	1280/1280	1280-5	1255-60	37,551 lots
Copper, Grade A (£ per tonne)						Ring turnover 27,200 tonne
Cash	1470-2	1479-81	1492/1490	1491-2		
3 months	1431-2	1438-9	1450/1430	1450-1	1432-4	62,082 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1385-95	1400-10		1405-15		
3 months	1375-85	1380-90		1400-6		15 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	612-5	610-2		611-2		
3 months	625-8	623-5		624-5		451 lots
Lead (£ per tonne)						Ring turnover 6,950 tonne
Cash	356-7	357.5-8.5	357	357-8		
3 months	362-2.5	363-3.5	362.5/361	362.5-3	362-3	9,837 lots
Nickel ($ per tonne)						Ring turnover 1,002 tonne
Cash	11250-350	11550-650	11350/11250	11325-60		
3 months	10300-50	10350-450	10400/10300	10350-400	10300-25	6,045 lots
Zinc ($ per tonne)						Ring turnover 12,300 tonne
Cash	1280-5	1240-4	1285/1275	1277-8		
3 months	1255-60	1221-4	1285/1230	1250-2	1265-8	19,106 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	57.0	55.0	56.0	
Feb	70.0	70.0		
Apr	92.9	91.9	94.5	92.3
May	103.8	102.0		
Nov	80.0	75.0		

Turnover 311 (332) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Dec	181.20	179.00	181.00	179.00
Feb	187.50	186.00	186.00	185.00
Apr	188.00	186.00		

Turnover 62 (163) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Sep	1274	1280	1274	
Oct	1330	1355	1382	1325
Jan	1412	1435	1442	1400
Apr	1465	1480	1480	1450
Jul	1288	1288	1388	1288
BFI	1269	1281		

Turnover 661 (571)

WOOL

World wool markets continue to show strength. Clearances are good, and prices where changed tend firmer. Similar strength is not evident in Bradford or in most of Europe. The UK position is particularly difficult because of high interest rates and the belated impact of sterling appreciation a year or so ago. The UK industry is particularly sensitive because of the scale of exports and imports. The stockholding burden is being pushed back towards raw material sectors, order books are often running low and there is talk of short-time working. Top quotations are at times slightly firmer with 64s super merino tops at 555p per kg., 58s super at 480p per kg. and 50s carded at 370p per kg.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	395¼-395¾	234¾-235¼
Opening	399-399½	237½-238
Morning fix	397.65	235.994
Afternoon fix	395.4	234.728
Day's high	399-399½	
Day's low	394½-395	

Coins	$ price	£ equivalent
Mapleleaf	407-412	241½-245
Britannia	407-412	241½-245
US Eagle	407-412	241½-245
Angel	407-412	241½-245
Krugerrand	394½-397½	234-236
New Sov.	93-94	55¼-56
Old Sov.	93-94	55¼-56
Noble Plat	508.25-512.2	300.9-304.45

Silver fix	p/fine oz	US cts equiv
Spot	366.45	617.50
3 months	377.20	630.60
6 months	388.00	644.50
12 months	406.60	672.15

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
2100	129	149	50	124
2200	76	106	96	179
2300	41	73	160	244
Copper (Grade A)	**Calls**		**Puts**	
2300	189	150	29	130
2400	122	107	61	185
2500	72	74	110	250

US MARKETS

TRADING WAS sluggish in the metal markets, reports Drexel Burnham Lambert. Gold and silver prices flirted around the unchanged level for most of the day. Platinum prices were firm as local trades kept the market from slipping below 490. Copper made contract highs early in the day but profit taking later turned the rally into a 120 point loss. In the soft commodities, coffee featured some price fix buying as the coffee talks continue. Sugar prices were sold off by fund and commission houses who were buyers the day before. The cocoa market appeared choppy as a new marketing plan was announced by the Ivory Coast. The grain markets also featured choppy trading but volume continued to be below average. In the meat markets, pork belly prices reversed and fell over 100 points. Cattle and hog futures also felt some of the belly markets weakness. Cotton prices rose over 50 points as speculative and local traders covered shorts. Buy stops from commission houses helped add strength. In energy markets, bearish API numbers weakened price on the opening. Later some trade activity gave prices some support.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	398.2	397.3	0	0
Oct	398.7	397.9	398.8	395.0
Nov	401.1	400.3	0	0
Dec	403.4	402.5	403.8	399.5
Feb	408.6	407.6	408.9	405.0
Apr	413.8	412.8	413.2	410.3
Jun	419.1	418.0	419.0	415.6
Aug	424.7	423.6	421.5	420.5
Oct	430.4	429.2	427.5	426.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	494.4	485.6	494.8	487.6
Jan	497.7	489.1	498.0	490.1
Apr	503.7	495.1	503.0	498.0
Jul	509.7	501.1	508.0	507.0
Oct	516.7	508.1	518.0	516.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	616.6	616.8	619.5	616.5
Oct	616.8	617.4	0	0
Nov	621.5	621.8	0	0
Dec	626.0	626.0	630.0	622.0
Jan	631.0	630.9	0	0
Mar	640.9	640.8	645.0	637.0
May	650.9	650.6	0	0
Jul	661.5	661.1	664.0	659.0
Sep	671.6	671.1	673.0	673.0
Dec	687.2	686.6	689.0	689.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	120.90	121.40	122.90	120.40
Oct	115.00	116.80	117.50	115.00
Nov	111.00	112.60	0	0
Dec	107.05	108.25	109.20	106.80
Jan	104.25	105.45	0	0
Mar	98.60	99.65	100.40	96.60
May	95.25	96.10	96.40	95.25
Jul	92.90	93.70	93.20	93.00
Sep	90.85	91.70	92.00	92.00
Dec	88.65	89.70	89.70	89.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	14.22	14.14	14.26	14.06
Dec	13.94	13.84	13.97	13.76
Jan	13.84	13.76	13.86	13.84
Feb	13.80	13.75	13.82	13.66
Mar	13.85	13.77	13.85	13.88
Apr	13.81	13.79	13.86	13.81
May	13.86	13.81	13.90	13.82
Jun	13.88	13.83	13.92	13.87
Jul	13.95	13.85	13.95	13.90

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	4005	3951	4010	3945
Nov	4070	4019	4075	4010
Dec	4145	4088	4145	4085
Jan	4180	4140	4185	4135
Feb	4165	4115	4205	4120
Mar	4050	3975	4050	3985
May	3850	3780	3850	3800

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1127	1133	1140	1110
Mar	1145	1147	1155	1129
May	1165	1166	1174	1152
Jul	1191	1193	1190	1177
Sep	1216	1213	1220	1206
Dec	1255	1252	1261	1240

COFFEE "C" 37,500lbs; cents/lbs.

	Close	Previous	High/Low	
Dec	130.25	129.24	131.25	129.52
Mar	130.24	128.86	131.00	129.40
May	129.63	128.15	130.00	128.90
Jul	129.75	128.23	129.75	129.00
Sep	129.25	127.75	0	0
Dec	127.75	125.63	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.46	9.66	9.62	9.45
Jan	8.66	9.01	0	0
Mar	9.01	9.34	9.29	8.95
May	8.83	9.14	9.12	8.78
Jul	8.80	8.98	9.02	8.75
Oct	8.64	8.89	8.91	8.63
Jan	7.96	8.41	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	52.05	51.80	52.51	52.00
Dec	50.43	49.77	50.80	49.85
Mar	50.50	49.88	50.84	50.15
May	50.85	50.17	51.20	50.60
Jul	51.30	50.56	51.40	51.10
Oct	52.00	51.25	0	0
Dec	52.05	51.61	52.30	52.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	178.60	177.45	179.90	176.55
Jan	168.45	168.00	168.75	167.70
Mar	166.00	165.70	167.00	165.80
May	164.90	164.85	165.45	164.90
Jul	163.90	163.95	164.20	164.20
Nov	160.95	160.95	0	0
Jan	159.95	160.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 27	Sept 26	mnth ago	yr ago
1844.1	1863.6	1857.1	1649.1

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	132.76	132.25	132.09	126.54
Futures	134.92	133.87	136.12	130.57

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	812/4	810/0	821/0	809/0
Jan	823/4	821/0	831/4	819/0
Mar	831/2	827/2	839/0	827/0
May	831/4	826/4	839/0	827/4
Jul	824/4	819/0	831/0	821/0
Aug	811/0	808/4	816/0	809/0
Sep	753/0	757/0	764/0	753/0
Nov	727/2	729/2	733/0	727/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	24.32	24.08	24.44	24.05
Dec	24.87	24.62	24.96	24.62
Jan	25.15	24.90	25.23	24.90
Mar	25.67	25.47	25.75	25.47
May	26.02	25.87	26.10	25.85
Jul	25.95	25.90	26.15	25.90
Aug	25.75	25.80	25.95	25.75
Sep	25.80	25.82	25.90	25.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	255.2	252.7	257.0	252.1
Dec	257.2	254.3	259.0	254.5
Jan	258.2	254.2	258.5	255.0
Mar	253.7	253.0	256.5	253.0
May	249.5	250.0	252.5	249.0
Jul	245.0	244.5	249.0	245.0
Aug	238.0	238.0	243.0	238.0
Sep	228.0	228.0	235.0	228.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	286/4	288/4	291/0	284/6
Mar	293/0	292/2	298/6	291/2
May	296/4	295/2	299/4	294/2
Jul	294/2	293/0	296/6	292/4
Sep	276/2	274/4	277/4	273/0
Dec	264/2	261/6	265/0	261/6
Mar	270/0	267/6	270/0	267/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	416/0	421/6	424/6	415/0
Mar	422/2	426/6	429/6	421/0
May	395/4	401/4	405/0	395/0
Jul	363/4	370/4	371/0	363/4
Sep	366/4	373/0	0	0
Dec	379/0	0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.20	70.92	71.37	70.90
Dec	73.17	73.45	73.45	73.10
Feb	73.80	73.95	74.05	73.62
Apr	75.10	75.27	75.35	74.92
Jun	74.00	74.30	74.35	73.80
Aug	71.45	71.72	71.75	71.40
Sep	71.40	71.40	0	0
Oct	70.80	71.05	71.60	70.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	39.02	39.92	39.75	38.97
Dec	42.20	42.72	42.60	42.12
Feb	44.77	45.32	45.12	44.70
Apr	43.97	44.50	44.47	43.82
Jun	48.57	49.25	49.20	48.57
Jul	48.65	49.27	49.20	48.65
Aug	47.70	48.15	48.10	47.60
Oct	45.37	45.70	45.40	44.75

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.02	50.10	49.90	48.50
Mar	49.47	50.62	50.50	49.10
May	50.92	52.15	51.90	50.65
Jul	51.77	52.90	52.85	51.45
Aug	50.37	51.32	51.35	50.35

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

GERMANY [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices September 28

Quotations in cents unless marked $.

2200 Carx	$14¼	14¼	14¼		
50300 Cara A f	$13⅞	13¾	13¾	− ⅛	
1750 Carena	$32¼	32¼	32¼		
500 Cascades	400	400	400	+ 5	
300 Celanese	$28¾	28¾	28¾		
16350 Cen Capital	$11⅞	11⅞	11⅞		
40700 CenCap A	$8⅞	8⅝	8⅞		
7480 CentFd A	$8½	6½	6½		
1060 C Guar Trc	$20	19¾	19¾		
301 Charan	295	290	290		
12775 Hayes D	$12⅞	12⅛	12⅛		
16850 Hees Intl	$24⅞	24¼	24⅞	− ⅛	
53850 Hemlo	$12⅞	12⅛	12⅛	− ⅞	
108800 Hollingr	$14⅞	14½	14¾	+ ¼	
300 Horsham f	$5½	5½	5½	− ⅛	
2125 H BayMn s	$9¼	8¼	8¼		
25452 Imasco L	$25⅞	25⅝	25⅝	− ¼	
8307 Imp Oil A	$51¼	51	51¼	− ⅛	
116154 Inco	$33⅞	33⅞	33½	− ⅞	
7000 Indal	$9¼	8⅞	9¼	+ ⅞	
26100 Pguria A f	$9⅞	8½	8½		
1200 Pamour	$8⅛	8⅛	8⅛	− ⅛	
160 PanCan P	$25	25	25		
21206 Pegasus	$14	13⅞	13⅞	+ ⅛	
7600 PJewl A f	$16⅛	16⅛	16⅛	+ ⅛	
27017 Pioneer M	380	365	370	− 10	
79520 Placer Dm	$15	14⅞	14⅞	− ⅛	
7200 Poco Pet	$8⅞	8⅞	8⅝		
74025 Powr Cor f	$13	12⅞	13	+ ⅛	
400 Wrdair A f	$7⅛	7⅛	7⅛	+ ⅛	
1250 Wcoast E	$16⅛	16⅛	16⅛		
630 Westmin	$9½	9½	9½	− ⅛	
2900 Weston	$33⅝	33½	33⅝	− ⅛	
8828 Woodwd A	425	425	425		
275 Xerox Can	$15½	15½	15½	− ⅛	

[illegible]

†—No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	Sep 28	Sep 27	Sep 26	Sep 23	1988 High	1988 Low	Since compilation High	Since compilation Low
◆Industrials	2085.53	2082.33	2085.17	2090.68	2158.61 (5/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.00	88.99	88.88	88.91	91.25 (3/3)	86.12 (4/1)	—	—
Transport	894.41	890.38	891.73	892.32	908.45 (5/7)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	180.77	179.82	179.35	179.71	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2096.37 (2095.31) Low 2070.23 (2069.88)

STANDARD AND POOR'S	Sep 28	Sep 27	Sep 26	Sep 23	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	269.08	268.26	268.88	269.76	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	308.46	307.45	308.40	309.40	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	25.82	25.79	25.84	26.01	26.05 (16/9)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	152.03	151.64	151.96	152.38	155.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	298.87	298.40	298.74	299.11	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	383.28	382.22	382.75	384.98	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Sep 23	Sep 16	Sep 12	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.68	3.71	2.68
	Sep 21	**Sep 14**	**Sep 7**	**year ago (approx.)**
S & P Industrial div. yield	3.19	3.19	3.24	2.40
S & P *P/E* ratio	*13.03*	*13.00*	*12.80*	*23.20*

TRADING ACTIVITY † Volume Millions

	Sep 28	Sep 27	Sep 26
New York	113.720	115.010	117.226
Amex	8.086	7.249	6.480
OTC	(u)	103.765	92.753

NEW YORK	Sep 28	Sep 27	Sep 26
Issues Traded	1,916	1,901	1,906
Rises	742	612	536
Falls	631	742	811
Unchanged	544	547	559
New Highs	18	16	22
New Lows	17	20	12

CANADA

TORONTO	Sep 28	Sep 27	Sep 26	Sep 23	1988 High	1988 Low
Metals & Minerals	2737.4	2734.1	2722.4	2714.0	3226.5 (5/7)	2238.7 (8/2)
Composite	3266.2	3326.2	3260.6	3260.4	3466.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1626.36	1624.81	1626.36	1628.22	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
IBM	4,692,100	115⅞	+ ⅝	Kroger	1,285,400	55⅞	− ⅛
SCE	2,162,900	33⅞	+ ¼	Exxon	1,210,200	44½	+ ¼
Genentech	1,796,700	17⅛	− 1⅝	Varity	1,146,800	2⅛	.....
Union Carb	1,670,700	23⅞	+ ½	Gulf West	1,092,100	37⅞	+ ⅛
Phil Elec	1,404,900	18⅛	.....	United Tel	1,050,900	41	+ ⅝

Base values of all Indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Sept 28	Sept 27	Sept 26	Sept 23	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1546.2	1545.0	1543.3	1551.1	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	712.7	709.4	702.8	707.9	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	205.60	205.90	205.00	203.0	205.90 (27/9)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5235.30	5244.90	5203.5	5229.5	5315.1 (21/9)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	233.20	227.30	231.12	233.20 (27/9)	180.68 (4/1)
FINLAND						
Unitas General (1975)	690.3	693.2	695.6	698.4	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	373.6	375.8	375.3	370.7	375.8 (27/9)	251.3 (29/1)
Ind. Tendance(31/12/87)	143.6	143.1	144.1	143.1	144.1 (26/9)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	511.96	516.61	517.56	515.51	518.40 (21/9)	396.40 (29/1)
Commerzbank (1/12/53)	1554.20	1569.10	1572.20	1567.40	1576.40(21/9)	1207.9 (29/1)
DAX (30/12/87)	1239.16	1248.36	1257.03	1252.58	1260.99 (21/9)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2449.75	2466.27	(c)	2454.38	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	544.95	536.93♦	537.40	536.48	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27752.01	27499.56	27330.95	(c)	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2133.46	2116.81	2095.84	(c)	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	270.70	270.20	270.00	269.5	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	231.50	230.30	228.90	227.7	239.3 (9/8)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	382.24	383.03	382.91	383.55	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1030.30	1022.28	1023.10	1033.71	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1255.0♣	1242.0	1225.0	1214.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1699.0♣	1690.0	1691.0	1705.0	1758.0 (20/7)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	*275.23*	*273.71*	*273.52*	*273.52*	*301.63 (15/6)*	*225.50 (4/1)*
SWEDEN						
Jacobson & P. (31/12/56)	3081.20	3088.40	3099.70	3116.50	3124.50 (22/9)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	563.70	565.00	564.90	560.90	565.00(27/9)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	439.1	436.5	438.6	465.2 (15/6)	401.0 (21/1)

**Saturday Sept. 24: Japan Nikkei 27,390.12 and TSE 2,099.24.
♣ Subject to official recalculation. ♦ Corrected figure.

Base values of all Indices are 100 except Brussels SE and DAX — 1,000 JSE Gold — 255.7 JSE *Industrials — 264.3 and Australia. All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.*

4pm prices September 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27¾	14	AAR s	.36	1.4	18	38	25¾	25⅝	25⅝	– ⅛
10⅛	9⅛	ACM n				281	9⅛	9⅛	9⅛	
12⅛	8¾	ACMIn 1.26e		11.		253	11	10¾	11	+ ⅛
12⅛	10⅞	ACMSc n1.26		12.		414	10⅞	10¾	10⅞	
10⅛	8⅞	ACMSp n.25e		2.8		236	9⅛	9	9	– ⅛
28⅞	10½	AGS			20	792	28⅛	28⅛	28⅛	
7⅛	2⅝	AMCA				4	3⅞	3⅞	3⅞	
7¾	3⅛	AM Intl				753	5½	5⅜	5½	
28½	17	AM Int pf 2		9.2		8	21¾	21⅝	21¾	
57½	26¾	AMR			9	2419	46⅛	45¾	45⅞	– ⅛
27	25	ANR pf 2.67		10.		21	26½	26	26½	+ ⅛
10	5⅛	ARX			11	54	7⅛	7	7	
70½	35¼	ASA	3	7.9		363	37⅞	37⅛	37⅞	+ ⅜
22⅛	9½	AVX	.05e	.3	12	92	16⅜	16⅝	16⅜	+ ½
61⅝	40	AbtLab	1.20	2.5	16	2097	48⅜	48	48⅛	– ⅜
27⅛	15⅜	AbtIbi g	1			53	18⅜	18⅜	18⅜	
16½	8½	AcmeC	.40	4.4		26	9⅛	9	9	
9½	6⅝	AcmeE	.32b	4.7	49	1	6⅞	6⅞	6⅞	
20	14⅛	AdaEx	3.05e	20		201	15⅝	15½	15½	– ⅛
19⅞	6⅞	AdamMl	.24	1.4	16	7	16⅝	16⅝	16⅝	
24⅞	7½	AMD				4609	11	10⅞	10⅞	– ⅛
56¾	29¼	AMD pf	3	8.6		5	35	35	35	+ ½
9¾	4⅝	Adobe				86	7½	7⅜	7½	
12⅛	5⅞	Advest	.12	1.4	16	26	8⅝	8¼	8⅝	
61¾	39½	AetnLf	2.76	5.4	8	840	51	50¾	50⅞	– ⅛
35½	20½	AflPb s	.20	.7		794	29	28⅝	29	+ ⅛
20¾	13	Ahmans	.88	5.3	11	4310	16¾	16	16⅝	+ ½
4⅝	1⅞	Alleen				83	4⅛	4	4⅛	

Continued on Page 45

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅝	7½	QstVl	1	9.6		183	10½	10⅜	10⅜	
9⅞	4⅞	QstVC	.77e			111	8⅛	7⅞	8	+ ⅛
39¾	25½	Questar	1.88	5.8	20	135	32½	31¾	32½	+ ⅞
23¾	10	QkRelly	.24a	2.1	7	68	11⅝	11½	11½	− ⅛
		— R—R—R —								
12¾	4½	RBInd				108	11⅜	11⅜	11⅜	− ⅛
68⅝	34½	RJR Nb	2.20	4.1	10	3288	53⅝	53⅛	53½	
120	111	RJR pf	11.50	10.		2	112¼	112	112⅛	+ ⅛
11⅝	4⅝	RLC	.20	1.9	9	110	10½	10⅜	10⅜	− ⅛
13¼	7	RLI Cp	.36	4.3	8	25	8⅛	8⅛	8⅛	
8⅞	3	RPC			28	58	6⅞	6⅛	6⅞	− ⅛
3½	13-32	Radice				15	9-16	½	9-16	
83½	57⅛	RalsPur	1.56	1.9	14	365	78¾	78½	78⅝	− ⅛
10¼	4	Ramad				827	9⅞	9⅝	9⅝	− ⅛
8½	3⅛	RangrO			48	680	5⅝	5½	5½	
54¾	28⅝	Raycm	s.24	.6	11	1139	42⅝	41½	42⅝	+ ⅝
17¼	8⅝	RJamFn	.16	1.6	13	10	9⅞	9⅞	9⅞	− ⅛
22⅞	14⅝	Rayonr	2.60	13.	7	38	19⅞	19½	19⅞	+ ⅛
12⅛	3¼	Raytch	.05e	1.3	57	38	4	3⅞	4	+ ⅛
84½	57¼	Raythn	2	2.9	10	808	69⅝	68⅞	69⅝	+ ⅞
4½	11-16	ReadBt				2510	⅞	¾	13-16	−1-16
10	2⅛	RdBat pf				13	2⅛	2⅛	2⅛	− ⅛
19¼	14¼	REIT	1.34	7.9	15	14	17	16⅞	16⅞	− ⅛
16½	6¼	RecnEq			21	14	7⅝	7½	7½	
10⅞	5¼	Redmn	.36	3.7		690	9⅞	9⅝	9⅞	+ ⅛
18¼	7	Reebok	.30	2.7	7	2802	11⅛	10⅞	11	
15	8¼	Reece	.15e	1.3	17	4	11⅝	11⅝	11⅝	
2⅛	¼	Regal				687	¼	¼	¼	−1-32
7⅞	4⅛	RegIFn	.25e	3.9		64	6⅝	6⅜	6⅜	
16⅜	11	ReichTg	1.76	12.	6	52	15⅛	15½	15⅛	
10	4½	RelGrp	.24	5.1	4	224	4⅝	4⅛	4⅛	− ⅛
8½	4⅝	RepGyp	.36	6.0	30	27	6⅛	6	6	
54¾	36¼	RepNY	1.20	2.6	11	385	47¼	46⅜	47	− ⅛
23¾	19⅛	Rxene	n.15e	.7		161	20½	20⅛	20⅛	− ⅛
61⅛	28	RayMill	1	2.0	5	757	50½	49⅞	50½	+ ½
42¼	28½	RiteAid	.74	2.1	15	757	36	35⅝	36	+ ⅛
1⅞	½	RvrOak				42	9-16	9-16	9-16	+1-16
50½	46⅞	Xerox pf				100	47⅞	47⅞	47⅞	− ⅝
60⅝	47	Xerox pf	4.13	8.8		10	47⅞	47⅛	47⅛	− ⅜
36	19½	XTRA	.72	2.1	14	325	34	33⅞	34	− ⅛
29¼	19½	XTRA pf	1.94	7.1		41	27½	27	27½	
59¾	17½	Yarkin			15	78	52¼	52½	52½	
5⅛	2¼	Zapata				189	2⅜	2⅝	2⅝	
37	13½	Zayre	.40	1.6	167	3845	25⅛	24⅝	25	+ ⅛
18⅛	8¾	Zemex	.40	3.0	17	25	13½	13⅜	13⅜	− ⅛
30	10	ZenithE				1440	20⅞	20⅛	20⅝	+ ½
10⅞	8½	Zenla n	.36e	3.6		128	10	10	10	
7⅞	1	vjZenLb				465	2⅛	2⅛	2⅛	
21⅝	12⅛	ZenNt	.80b	4.4	9	652	18¾	18⅛	18⅝	+ ⅛
19⅞	11⅞	Zero	.40	2.5	14	25	15⅞	15¾	15⅞	+ ⅛
29¾	15	Zurnin	.88	2.7	18	452	25⅛	25	25⅛	
11⅞	7⅝	Zweig	1.04	10.		292	10⅝	10⅛	10⅛	
10½	10	ZweigT n				759	10½	10	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices September 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
RBW			12	5⅞	5⅝	5½	− ⅛
Ragan	.12	17	90	20	19½	19⅝	− ⅛
Ransbg		77	20	10⅞	10⅜	10⅜	
Resrt A			101	31⅞	31⅝	31⅞	
Riedel		20	13	11¾	11½	11¾	+ ⅛
Rogers	.12	20	1	28⅛	28⅛	28⅛	− ½
Rudick	.32a	12	40	21¼	21	21¼	+ ⅛
Cominc	.21e		4	15½	15⅜	15⅜	
CmpCn		9	313	8⅝	8⅜	8⅜	
Cnprc	.07e		204	5⅞	5⅛	5⅛	
Conqst			65	2	1⅞	2	+ ⅛
CoastlOG			78	2½	2⅜	2½	+ ⅛
Cosmin		93	1	4⅝	4⅝	4⅝	
CostMt			1	13⅞	13⅞	13⅞	+ ⅛
Cross	1.12	16	277	31½	30⅞	30⅞	− ⅛
CrCPB		2	1	18⅜	18⅜	18⅜	
CwC pfD	2.25		3	26⅞	26⅞	26⅞	− ⅛
Cubic	.44	12	61	14⅝	14⅝	14⅝	
Custmd		19	201	15-16	⅞	⅞	−1-16
CyprFd	.11e		149	7¼	7	7¼	+ ⅛
— D—D —							
DI Ind			10	1⅛	1⅛	1⅛	− ⅛
DWG		4	331	6½	6⅜	6⅜	− ⅛
Damson			684	3-32	1-16	3-32	+1-32
WangB	.16	17	1240	9⅛	9	9⅛	+ ⅛
WangC	.11	15	1	9	9	9	
WshPst	1.56	14	96	203¼	201¼	202	− ½
Wthfrd			20	2⅛	2⅛	2⅛	
WelGrd		34	12	6⅞	6⅞	6⅞	− ⅛
WDigitl		9	298	14⅛	14	14⅛	+ ⅛
Wstrm	.25	21	57	15	14⅝	15	+ ⅛
Worthn		8	42	7⅞	7⅛	7⅞	+ ⅛

OVER-THE-COUNTER

Nasdaq national market, 4pm prices September 28

Stock	Div.	Sales 100s	High	Low	Last	Chng
WiserO	.40	719 81	14½	14⅛	14⅛	− ⅛
Woletn	.24	9 212	15⅛	14⅝	15	+ ⅛
WolvEx		87	9	9	9	− ⅛
Worthg	.44	15 582	21⅞	21⅝	21⅞	
Wyman	.80	14 175	14½	14	14½	+ ⅛
— X—Y—Z —						
XL Dta		14 182	24	23½	23½	− ½
XOMA		232	14⅞	14½	14⅞	
X-Rite s		15 2	11⅛	11⅛	11⅛	
Xicor		16 1165	9	8⅞	8⅞	− ⅛
Xylogic		8 34	8	8	8	− ⅛
Xyvsn		3 424	5	4⅞	5	+ ⅛
YelowF	.70	19 388	30⅝	30⅛	30½	+ ⅛
ZionUt	1.44	7	23⅞	22⅞	23⅞	+ ⅛

AMERICA

Dow's torpor continues in vicious circle of inactivity

Wall Street

A COMBINATION of factors is keeping the equity market in an extremely narrow range and depressing volume, *writes Janet Bush in New York.*

The slump in activity has worsened this week, partly because there are few economic indicators to trigger any volatility or short-term plays in the market.

On the first two days of the week, volume totalled less than 120m shares, reflecting extremely subdued activity. Overall fluctuations in the major indices were minimal, with the Dow Jones Industrial Average falling 5.51 points on Monday and 2.84 points on Tuesday.

This sluggishness continued yesterday with the Dow closing 3.30 points higher at 2,085.53 on volume of just 113m shares.

This week may be even more dull than previous weeks because of the dearth of news or economic indicators, but there are a number of longer-term influences that are keeping investors out of the market.

The lack of activity has created a vicious circle: investors look at the market doing nothing day after day and there is very little incentive to participate because there is no money in it.

Another factor is persistent fear of the market in the wake of last October's crash, a concern that has never gone away. Now investors appear to have an irrational fear of the first anniversary of the crash next month, amid something of a superstitious belief that there will be a repeat performance.

The uncertainties of a tight presidential race and the lack of clarity about the candidates' policies is also discouraging investment in stocks.

Moreover, the equity market is not getting a clear sense of direction from either the dollar or the bond market which seem to have reached rough equilibrium. Bonds are suffering from the same uncertainties as the stock market, while the dollar is sitting in a Group of Sevenstranglehold and is likely to remain so at least until after the November election.

Finally, it is still difficult to tell what is going on in the economy. While economists seem to agree there has been some deceleration in economic growth since earlier this year, most appear to believe that growth is still too fast and that interest rates will rise further.

Given all these influences, there seems little prospect, barring some major surprises, that the equity market can break out of its current torpor.

"Story" stocks – those involved in takeover battles, for example – remain the only source of interest.

Among featured stocks yesterday was MSI Data, which jumped $2⅝ to $21½ on the American Stock Exchange after the company said it was holding discussions about a possible takeover from a third party in the wake of its rejection of Telexon's bid. Telexon, which dropped $1¼ to $14¾, has raised its bid to $20 a share from $17 a share.

Genentech fell $1⅛ to $17¾ after the company said that its third quarter sales were expected to be down 20 per cent compared with the second quarter.

Dexter was another company expecting disappointing results. Its shares dropped $1⅛ to $23⅞ after it said its third quarter results were expected to be about break-even.

Pioneer Savings Bank jumped $1⅞ to $6⅞ following news that CenTrust Savings Bank had agreed to acquire the thrift. Pioneer shareholders will receive $8.50 in cash or notes valued at $10 for each share. CenTrust dipped $⅛ to $7⅞.

MGM-UA Communications dropped $1¼ to $12¼ following the company's proposal for a $200m rights offering to stockholders, a possible sale of assets and restructuring.

Time added $2⅞ to $108⅞ after a report in the New York Times that Time and Warner came close to a $10bn merger last month.

Canada

UNCERTAINTY about the direction of the economy kept investors on the sidelines and Toronto share prices closed slightly higher in thin trading.

The composite index, which had dropped about 6 points in earlier trading, rose 4 points to 3,266.2.

Taiwan tempers flare at cooling off move

Whither share prices now that a new tax is in the offing? **John Elliott** explores

Brokers on Taiwan's dramatically volatile stock exchange, which has risen by 275 per cent this year, return to business today in angry mood after a three-day holiday for the country's annual Moon festival and yesterday's birth anniversary of Confucius.

When the exchange closed last Saturday with the weighted index at 8,790, brokers were speculating that the upward spiral would begin again today and that the 9,000 and even 10,000 barriers would soon be breached.

The Government, however, decided differently. Over the weekend, Ms Shirley Kuo, Finance Minister, slapped a capital gains tax on stock profits, to operate from the beginning of next year, with the aim of cooling the over-heated market.

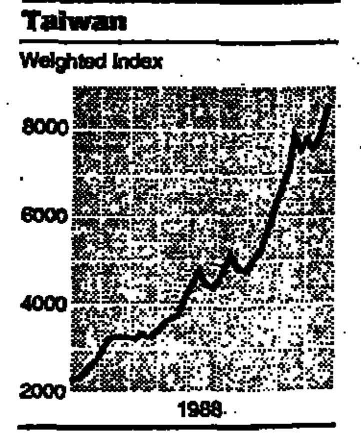
The tax was last in force more than 10 years ago and is designed to encourage long-term rather than short-term investment. Ms Kuo said yesterday that she would not withdraw the plans, in spite of brokers' threatening protests. The tax, which is imposed on profits from sales totalling more than NT$3m ($103,500) a year, would not affect shares bought this year.

Whether the move will cool the market – and, if so, whether the cooling off period will last for long – is anyone's guess. Many experienced investment experts based in the capital of Taipei have given up confident forecasting, having wrongly predicted the collapse, or at least a levelling off, of the market ever since the index first pushed through the 4,000-mark last September.

The market is fuelled by Taiwan's excess liquidity with foreign reserves of $76bn, a trade surplus last year of $19bn, and little other opportunity for domestic spending available to the compulsive gamblers in the country.

There are only 144 listed companies being traded in all this activity, with six new issues including the Acer computer company due by the end of the year. About 30bn shares support a total market capitalisation of NT$4,000bn – roughly US$1bn per company. The value of shares traded in a single day has exceeded NT$250bn, putting the exchange on a par with world leaders.

The worry is that few investors know what they are doing.



There is inevitable corruption by western standards in what is an unregulated market, fuelled by widespread insider trading, and a flood of illegal underground financial companies which offer investors interest rates as high as 4 per cent a month for funds that are then invested in the stock market.

Founded in 1962, the market made little progress until 1986 when the index hit 1,000 (1981=100), rocketing last year from 1,063 to a high of 4,673 on October 1 before falling back to 2,339 at the end of December. This year it passed 4,000 in April, 6,000 in July and 8,000 in August. In the 10 days' trading before last Saturday's close, it rose 1,200 points, sharpening fears that the *bubble might* soon burst.

Speculators' interest in the stock market has cut their investments elsewhere. At the end of last week, Mr Chang Chi-Cheng, governor of the Central Bank, said that Taiwan was considering raising its rediscount rate of 4.5 per cent to try to attract people into bonds and bank deposits. Two recent government offers – a NT$25bn bond issue and a NT$4bn savings bond issue – met with poor response.

Another government policy, however, is likely to push the market higher. There are soon to be at least 35 new inexperienced brokers joining the small total of 42 already operating. Officials say the total of new ones could exceed 100 by the end of next year.

"Investors are very unsophisticated," says Mr Steven Champion of International Investment Trust, which manages $750m from mutual funds in the market. "People don't know what they are buying. *One woman recently* thought when she bought textile shares called Toroko Gorge that she was buying into one of Taiwan's major scenic attractions of the same name. People are simply investing because they have seen others get rich."

SOUTH AFRICA

THE FALL in the gold bullion price to below $400 brought gold stocks down from their day's high in Johannesburg. Trading was again cautious but quiet.

Mining stocks were generally firmer, with Randfontein R1 higher at R238 and Beatrix 35 cents better at R11.60. Speculative buying saw Consolidated Gold Fields rise R3 to R89, while among platinums Rustenburg was up R1.50 at R35.75.

Industrials ended slightly firmer after fluctuating throughout the day.

ASIA PACIFIC

Institutions propel Nikkei higher

Tokyo

ACTIVE buying by institutional investors at the start of the new fiscal term pushed share prices sharply higher in Tokyo yesterday, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed up 252.45 at 27,752.01 after rising steadily. The high was 27,813.89 and the low 27,538.94.

Volume rose to 1.81bn shares compared with 1.76bn on Tuesday, and advances outnumbered declines by 554 to 310, with 147 issues unchanged.

In London, the rise by Japanese shares continued, with the ISE/Nikkei 50 index up 6.94 at 1,796.84.

The Tokyo's upturn was helped to a large extent by increased demand from institutional investors, according to an analyst at Nikko Securities. The current absence of bad news for the market also encouraged buying.

Steel companies continued to lead the market in terms of volume, but buying interest shifted to other issues and steels saw only modest gains. Nippon Steel, the most active issue at 213.1m shares, rose Y4 to Y811 while NKK added a slim Y1 to Y820. Sumitomo Metal, in second place in volume terms at 146.6m shares, gained Y23 to Y695.

Shipbuilding shares, which can also be traded in large volumes, attracted much investor interest away from steels. Mitsubishi Heavy Industries gained Y30 to Y980 in heavy turnover while Mitsui Engineering and Shipbuilding rose Y33 to Y714.

Railways continued to be popular on the strength of property assets. Among them was Keisei Electric Railways, which attracted interest both on speculation that a subsidiary which operates Tokyo Disneyland will go public and on the basis of its land holdings. It rose Y120 to Y2,830.

Tobu Railways increased Y90 to a record high of Y1,360. There is speculation it will develop leisure facilities along its railway lines.

Companies with land along Tokyo's waterfront rose sharply. Among them, Tokyo Gas hit a high for the year of Y1,440 on rumours that it will enter the resort development market. It fell back, however, to close Y20 up at Y1,410.

Property issues continued firm. Mitsui Real Estate added Y40 to Y2,670 and Mitsubishi Estate increased Y20 to Y2,370. Another company that advanced on property-related speculation was Kubota, which rose Y63 to a record Y870. Interest in Kubota increased after Nankai Electric Railways announced a large-scale redevelopment program in the Namba district of Osaka where Kubota owns property.

In Osaka, the OSE average increased 172.75 to 27,606.94, but volume declined to 168.4m shares from 181.8m.

Roundup

TURNOVER remained low in the Asia Pacific markets, but Tokyo's rise and the reappearance of overseas investors in Singapore gave a much-needed boost to sentiment.

AUSTRALIA showed no advance from Tuesday's position, with turnover virtually unchanged at 87.46m and the All Ordinaries index just 1.4 better at 1,546.2. Even the release of the August current account deficit – at the higher end of market expectations at A$1.89bn – failed to make an impact on sluggish trading.

Among industrial stocks Elders IXL followed Tuesday's healthy profit figures with a 6 cent rise to A$3.44. Although the shares fell when the results were announced on Tuesday, by yesterday analysts had taken a more considered look at the figures and the reaction in both Sydney and London was favourable.

SINGAPORE benefited from gains in Tokyo and the return of some overseas and institutional investors, ending higher in quiet trading. The Straits Times industrial index rose 8.02 to 1,030.30 on turnover of 13.7m shares, slightly down on Tuesday.

HONG KONG slipped as fears of a large rights issue in the property sector damaged sentiment, but there was an improvement in turnover. The Hang Seng index lost 16.52 to 2,449.75 as volume reached HK$336.45.

Among the leading stocks to fall were Hutchison Whampoa, 10 cents easier at HK$8.15, and Sun Hung Kai Properties, 10 cents lower at HK$10.50.

EUROPE

Rumours excite France and Italy

SPECULATIVE trading pushed Paris and Milan on to centre stage in Europe yesterday, while Frankfurt and Brussels had a quiet day after their recent flurries of activity, *writes Our Markets Staff.*

PARIS had an exciting session dominated by building stock Bouygues. Rumours were flying, helping to take share prices higher and push volumes to more respectable levels.

Bouygues, which has had a good run for many sessions now, saw more than 700,000 shares traded amid speculation that a management buy-out was on the cards, that it was selling its stake in TF1, the television channel, and that Mr *Francis Bouygues, chairman,* was in hospital. The company denied he was ill or that a management buy-out was being considered.

The stock, which was suspended several times over the session, soared by 20 per cent to FFr596, a gain of FFr99. There was strong demand in London and reports of US buying.

The buying fever spread through the construction/building sector; Screg jumped *FFr57 to FFr638, Dumez* climbed FFr29 to FFr719 and Spie-Batignolles found FFr24 to FFr430.

The CAC General index added 0.7 to another 1988 high of 383.73 and the OMF 50 index finished the day up 4.35, or 1.1 per cent, at 384.24.

MILAN enjoyed a busy session as investors returned to the market buoyed by optimism that the Government will win today's crucial vote on the use of secret ballots in Par*liament.*

If the ruling coalition succeeds in abolishing the system, future national budgets – including the new draft 1989 *budget – should stand a far* better chance of passing through parliament relatively unchanged. Bid speculation gave trading a further boost, and by the close the Comit index was 8.02 points higher at 544.95, and the MIB index at a six-month high of 1,126.

Interbanca, the medium-term credit and merchant bank, was the main feature as rumours circulated about changes in the shareholdings of the bank. Suggestions that someone has been building a large stake in recent weeks culminated yesterday in widespread speculation that financier Mr Carlo De Benedetti has won control of Interbanca from Banca Nazionale Dell'Agricoltura.

Demand for the stock was such that when trading was suspended at midday, the ordinary shares had risen from L29,700 to L33,200. Interbanca's privileged shares were equally active and by the close had jumped L2,330 to L24,200.

Car group Fiat also attracted buying interest, rising L90 to L9,750 before the company announced after the market closed a 17 per cent improvement in interim profits to L2,202bn.

Olivetti, benefiting from the market's good mood, ended the day L78 better at L9,730 despite Tuesday's disappointing interims.

FRANKFURT slid further in a lacklustre session, with only a few pockets of news to inspire trading. Volumes fell to DM1.76bn worth of German shares compared with DM2.2bn on Tuesday.

The FAZ index fell 4.65 to 511.96 and the real-time DAX index closed the session down 8.92 at 1,239.44.

Deutsche Bank, which announced the purchase through its Australian subsidiary of a 50 per cent stake in *Bain and Co of Australia,* lost DM2 to DM511.50. There was good news on the earnings front and hints of further ventures in the insurance sector, given at an analysts presentation on Tuesday, but the stock did not respond.

Car maker VW, which yesterday started trading on the Paris cash market, fell DM2.20 to DM265.50 after forecasts of improved profits this year.

Porsche added DM1 to DM554 after saying annual group sales were down 27 per cent, as expected.

MADRID gained ground amid a sense of relief over interest rate moves. The general index climbed 1.52 to 275.23 – passing the resistance point of 275 – in a session enlivened by bid talk.

Three of the country's main banks put up their prime interest rate in a move welcomed by investors, said one analyst. The increase reduced uncertainty over the interest rates situation.

Papelera Navarra, a small paper company, put on 47 percentage points to 285 per cent of nominal market value amid rumours of stakebuilding or a possible bid from overseas.

***BRUSSELS** ended lower after* a quiet session, with the forward index off 40.17 at 5,406.92 and the cash index 9.68 lower at 5,235.30.

Speculative stock Tractebel fell BFr50 to BFr8,200 and Petrofina lost BFr150 to BFr14,150.

Retailer Delhaize, reporting a 5.6 per cent rise in eight-month turnover, dropped BFr50 to BFr4,700.

ZURICH slumbered as the lack of business forced dealers *to mark prices down in an* attempt to generate interest as investors looked in vain to overseas markets for a lead. By the end of trading the Crédit *Suisse index was just 0.1* higher at 478.8.

Blue chips were mixed, with Jacobs Suchard bearers gaining SFr15 to SFr7,725 as local investors switched into the stock out of second-liners. Ciba-Geigy was also in demand, the bearers rising SFr10 to SFr3,310, but Hoffmann-La Roche continued Tuesday's fall.

AMSTERDAM closed slightly higher on gains in London and New York, but turnover was again disappointing. The CBS all-share index ended 0.4 better at 97.8 as shares worth Fl 145m changed hands.

Chemical group Akzo jumped Fl 1.10 to Fl 145.10 after announcing plans to form a joint venture with South Korean company Kohap to build a plastics production facility.

Takeover rumours sent insurer Stad Rotterdam Fl 3.20 higher to Fl 138.20, and other insurance stocks followed suit. Paper manufacturer KNP moved up Fl 3 to Fl 173 as dealers looked forward to the announcement this week of the date for the company's share split.

STOCKHOLM slipped amid speculation over the newly-*elected Government's policy* declaration, which is due to be made next Tuesday. One rumour was that there would be a rise in capital gains tax for stock transactions.

The Affärsvärlden general index lost 1.3 to 898.9 in thin trade.

OSLO generally moved lower in light trading, as investors hung back in anticipation of next week's Budget.

The oil index was hit by a fall by Norway's North Sea oil price. *Norsk Hydro* dropped NKr2 to NKr103.5.

London stock market, Page 39

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 28 1988					TUESDAY SEPTEMBER 27 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (85)	138.37	+0.2	121.64	117.48	4.09	138.13	122.01	117.32	152.31	91.16	169.61
Austria (16)	87.76	−0.2	77.14	85.65	2.44	87.91	77.65	85.83	98.18	83.72	100.20
Belgium (63)	120.10	−0.4	105.58	118.03	4.28	120.59	106.52	118.51	139.89	99.14	125.89
Canada (125)	118.69	+0.0	104.34	104.90	3.26	118.64	104.79	104.68	128.91	107.06	136.30
Denmark (39)	130.80	+0.0	114.98	128.17	2.33	130.85	115.58	128.22	132.72	111.42	115.54
Finland (26)	114.61	−0.1	100.75	106.74	1.65	114.68	101.29	106.86	139.53	106.78	–
France (128)	97.14	+0.5	85.39	97.41	3.33	96.68	85.40	96.98	99.62	72.77	107.60
West Germany (100)	78.46	−0.8	68.97	76.60	2.42	79.08	69.85	77.25	80.79	67.78	99.66
Hong Kong (46)	100.02	−0.8	87.92	100.29	4.88	100.82	89.05	101.11	111.86	84.90	157.67
Ireland (18)	129.23	−0.3	113.60	127.55	3.88	129.60	114.47	128.01	144.25	104.60	149.97
Italy (100)	73.56	+1.6	64.66	76.91	2.62	72.38	63.93	75.67	81.74	62.99	91.34
Japan (456)	159.19	+1.0	139.94	135.04	0.55	157.55	139.16	133.90	177.27	133.61	145.72
Malaysia (36)	137.06	+1.5	120.48	141.07	2.83	135.00	119.24	138.90	154.17	107.83	174.52
Mexico (13)	155.93	−1.6	137.07	389.81	1.40	158.51	140.01	390.80	180.07	90.07	371.28
Netherland (38)	101.54	+0.4	89.26	98.13	4.96	101.17	89.36	97.82	110.66	95.23	123.86
New Zealand (20)	70.59	+0.2	62.05	60.55	5.99	70.48	62.26	60.42	84.05	64.42	135.10
Norway (25)	111.88	+0.1	98.35	105.31	2.84	111.77	98.72	105.17	132.23	98.55	174.86
Singapore (26)	117.94	+1.3	103.68	110.82	2.47	116.46	102.86	109.51	135.89	97.99	163.91
South Africa (60)	104.44	+1.0	91.81	91.32	4.72	103.43	91.36	90.44	139.07	98.26	183.32
Spain (43)	135.75	+0.3	119.34	127.99	3.52	135.28	119.49	127.65	164.47	130.73	159.21
Sweden (35)	118.51	−0.5	104.18	113.11	2.52	119.09	105.19	113.76	125.50	96.92	129.86
Switzerland (55)	76.98	−0.7	67.67	75.88	2.23	77.49	68.45	76.41	86.75	74.13	107.66
United Kingdom (322)	127.17	+0.9	111.79	111.79	4.68	126.09	111.37	111.37	141.18	120.66	157.82
USA (580)	110.08	+0.3	96.77	110.08	3.63	109.73	96.92	109.73	112.47	99.19	131.41
Europe (1008)	104.22	+0.4	91.62	97.51	3.81	103.79	91.68	97.33	110.82	97.01	127.43
Pacific Basin (669)	155.99	+1.0	137.13	132.90	0.76	154.48	136.45	131.84	172.26	130.81	146.91
Euro-Pacific (1677)	135.30	+0.8	118.94	118.73	1.71	134.22	118.56	118.01	147.53	120.36	139.18
North America (705)	110.53	+0.3	97.16	109.78	3.61	110.19	97.33	109.44	113.29	99.78	131.67
Europe Ex. UK (686)	89.87	+0.1	79.01	88.76	3.09	89.83	79.34	88.75	92.99	80.27	108.55
Pacific Ex. Japan (213)	117.47	+0.0	103.27	106.10	4.31	117.49	103.78	106.14	128.27	87.51	161.66
World Ex. US (1875)	134.44	+0.8	118.18	118.11	1.78	133.40	117.83	117.41	146.49	120.26	139.70
World Ex. UK (2133)	124.75	+0.6	109.66	115.67	2.16	124.00	109.52	115.08	131.77	111.77	134.36
World Ex. So. Af. (2395)	125.07	+0.6	109.95	115.46	2.38	124.29	109.79	114.88	132.39	113.26	136.14
World Ex. Japan (1999)	108.56	+0.3	95.43	105.35	3.72	108.20	95.57	105.08	112.43	100.00	132.03
The World Index (2455)	124.95	+0.6	109.84	115.30	2.39	124.17	109.67	114.72	132.38	113.37	136.44

Base values, Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

SECTION IV

FINANCIAL TIMES SURVEY

The Government of Michel Rochard is likely to enjoy a honeymoon for a while, partly because of the unexpected buoyancy of the French economy. But difficult challenges lie ahead in the medium-term, as Ian Richardson explains here.

Pictures by Henri Gautier and Roger Taylor

Prime Minister Michel Rocard (left) has waited a long time for his promotion. The voters who re-elected François Mitterrand (right) to the Presidency also returned the Socialist Party to government.

FRANCE

A significant turning point

FRANCE has passed a major watershed this year in its post-war history, with the re-election of François Mitterrand to the Presidency and the return of the Socialists to government. These two events are a watershed, even on the most prosaic reckoning, because they represent three firsts:

☐ For the first time a President of France has been re-elected under the universal suffrage of the Fifth Republic.

☐ For the first time in the 30-year history of that Republic, the Gaullist party has not merely suffered a humiliating defeat in the Presidential election, it has also lost its pre-eminent position as the largest right-wing grouping in the National Assembly.

☐ And for the first time, a President of the Fifth Republic is short of an absolute majority in the National Assembly. By any measure, these three events are a trio of noteworthy landmarks.

So much is obvious. Less obvious is the real significance of these events, and of those that accompanied them during the increasingly hectic campaigns of the first six months of the year. At one level, one can explain the facts in neutral terms which lie on the surface of events. In a campaign conducted much more in terms of personal appeal than policy divergences, Francois Mitterrand won re-election because he inspired more confidence than Jacques Chirac.

As a matter of political consistency, the voters who re-elected François Mitterrand to the Presidency, also returned the Socialist Party to government; but since Mitterrand had appealed so insistently for an opening to the centre, the voters failed to give the Socialist Party an absolute majority in parliament.

At another level, however, the visible sequence of events in the election battles seems also to have been a partial reflection of buried psycho-dramas in French society, whose violence took everybody, including the politicians, completely unawares.

In particular, the sudden break-through by Jean-Marie Le Pen, leader of the extreme right-wing National Front, seemed an abrupt warning that the dark side of recent French history could cast an unexpectedly black shadow.

Needless to say, this second dimension remains subject to widely varying interpretation, in the light of personal judgment and preference. To judge by Le Pen's 14.4 per cent vote in the first round of the Presidential election, France has the disquieting distinction of having the largest extreme right-wing party in Europe; but the 9.65 per cent scored by his party in the first round of the general elections which followed, suggested to some people that the Le Pen phenomenon may have been overblown.

On the whole, respectable France has tended to prefer the second explanation, probably because it is less disturbing.

Yet as a matter of simple observation, this dark shadow is undoubtedly present in French society. For over 30 years, successive governments, of both left and right, have made prodigious efforts to create lasting structures of reconciliation with Germany, with the explicit argument that this would prevent any more wars in Europe.

But unexplicit nightmares are still abroad, to the effect that repeated wars with Germany meant repeated defeats for France, and that behind the Gaullist legend of military victory in World War Two, and the Communist legend of heroic resistance, lies a period of French history which remains deeply uncomfortable to a certain generation of Frenchmen.

By the same token, France is still adjusting to the retreat from empire. Jean-Marie Le Pen's political career was inspired by the defeat of Dien Bien Phu and the loss of Algeria, and his rhetoric in this year's Presidential election campaign was primarily directed against Algerian and other immigrants.

It is symptomatic of this undigested colonial legacy, that the last convulsion of the election was marked by a bloody conflict between French soldiers and native Melanesians in a cave in New Caledonia, and that the most urgent priority for the incoming Rocard Government was the restoration of peace to the French Pacific territory.

Conversely, of course, the unexpected strength of the Le Pen factor was symptomatic of the failure of the respectable right-wing parties to capture their traditional share of the popular vote; and this failure was attributable in turn, first, to the fratricidal divisions between the traditional right-wing parties, and second, to the loss of popular charisma of the Gaullist RPR party.

The divisions between the right-wing parties have a long history, going back over 150 years, and appear to be structurally entrenched in the sensibilities of the politicians and of their supporters.

What is new is the set-back to Jacques Chirac and to the RPR Gaullist party which he leads.Once upon a time, the Gaullist party was synonymous with the Fifth Republic. Its decline, which started in 1974, has nowreached the critical point where its identity and even its future are in doubt. The question is: *why?*

As a child of its time, the Gaullist party was formed in the image of its eponymous hero; in different circumstances and with a different leader, its identity becomes more and more unpredictable. As time has passed, the Gaullists have abandoned most of their specific ideological baggage: fierce nationalism, defiance of the superpowers, faith in state dirigisme, and a strong streak of authoritarianism.

Instead, they have in the past three years embraced new and unfamiliar causes: European economic and financial integration, the co-operative defence of Europe, deregulation and economic liberalism. It would not be surprising if such radical shifts were to disconcert the traditional voters; faced with a platform of rational utilitarianism, the party faithful still banker after their folk-memory of fervent populism.

The solution to the Gaullist problem remains elusive. Those on the warm, traditionalist wing of the party, like Charles Pasqua and Philippe Seguin, yearn for a return to the springs of populism, in the belief that this would recover ground lost to the National Front. Those on the cool, intellectual wing, like Edouard Balladur, believe in extending the conversion of the party to economic liberalism, and the expansion of its constituency by links to other centre-right parties like the Republicans.

Yet the ideas of traditional Gaullism are out of tune with the requirements of the 1980s; a populist party calls for a charismatic hero to lead it, and Jacques Chirac does not fill the boots of Charles de Gaulle. That must be part of the verdict of the 1988 elections. Jacques Chirac led the Gaullists and their conservative allies to victory over the socialists in 1986, but after two years in office he was still unable to make a convincing showing in the Presidential election.

One specific factor may have played a part in his defeat: allegations by the Socialists, and indeed by the centrist supporters of Mr Raymond Barre, that the government manipulated its privatisation programme, through the so-called hard-core shareholdings, to serve the interests of the RPR Gaullist party.

France has long been accustomed to the idea that the economic interventionism of the state is ubiquitous, and that the party in power controls the interventionist levers of the state; in that sense France accepts a political spoils system.

The Gaullist government seemed to carry this principle one stage further, however, since the hard-core shareholding system seemed designed to ensure Gaullist hands on the (privatised) levers of economic power even if the party were out of office.

The privatisation programme was immensely popular, at least until the stock market crash of October 1987 brought it to an abrupt halt, and it created 6m new shareholders. But the charge that the Gaullists were creating a state within the state *("L'Etat-RPR")* may have hit home on election day.

In the event, the combined results of the presidential and general elections seemed to convey contradictory messages. François Mitterand won his presidential victory by a crushing margin; but his *Socialist Party fell short of an* absolute majority in the National Assembly.

The right-wing opposition is in no state to muster a coherent challenge to the Government; yet the ambivalance within the ruling Socialist Party, between Social Democrats and Rocardians who seek the support of the Centrists and Barrists, and traditional socialists who still believe in the union with the Communists, promises an uncertain future.

This new uncertainty is less pronounced, however, than the

Continued on Page 8

KEY FACTS

☐ **Official title: The French Republic.**
☐ **Population: 55.39m.**
☐ **Area: 549,200 sq km.**
☐ **Currency, Franc (Fr) = 100 centimes.**
☐ **Exchange rate: Fr1 = $6.38; $10.68**
☐ **Inflation, July, 1988, 2.7%**
☐ **GDP per capita, 1987: $15,819**
☐ **GDP, 1987: Fr5,266.7bn.**
☐ **GDP growth: average, 1974-84, 2.3%; in 1987, 2.2%.**
☐ **Trade: exports, 1987: Fr888.91bn.**
☐ **Imports, 1987: Fr949.81bn.**
☐ **Current account balance, 1987:-Fr27.4bn.**
☐ **Unemployment: 10.2%**
☐ **Structure of trade, % of total; exports:**
Food, beverages, tobacco, 14.9.
Crude materials, oils, fats, 3.9
Mineral fuels, 2.2
Chemicals and manufactured goods, 43.5.
Machinery and transport equipment, 35.4
☐ **Structure of trade, % of total, imports:**
Food, beverages, tobacco, 10.6
Crude materials, oils, fats, 4.7
Mineral fuels, 10.7
Chemicals, manufactured items, 42.3
Machinery and transport equipment, 31.6

CONTENTS

Ian Davidson evaluates the longer-term outcome of the French elections

A political crisis on the right

THE FRENCH presidential election of 1988 was entirely lacking in suspense beforehand, since the result seemed never to be in doubt – François Mitterrand was always going to win.

Yet like a brilliantly-crafted drama, the months of mounting inevitability during the long, long months of campaigning, managed to erupt in the election itself in a proliferation of surprises and reversals from which the country has still not recovered.

Similarly, the full significance of these events – an explosion of the ultra-right vote for Jean-Marie Le Pen; the collapse of support for the Communist candidate; the stunning scale of the defeat of Jacques Chirac, leader of the RPR Gaullist party; and, finally, a general election which ousted the conservatives from power but failed to give the Socialists an absolute majority – has yet to be measured.

In the immediate aftermath of the presidential election, and the rushed general election which followed hard on its heels, the shocks and surprises somewhat obscured *the basic* and long-expected fact of President Mitterrand's victory, and it is still hard to be sure which is more significant for the long term.

On both counts, however, it seems likely that the French political system has passed a turning point.

For months and months, at least as far back as the summer of 1987, it was clear from the opinion polls that President Francois Mitterrand would be re-elected if he chose to stand again.

He delayed his declaration until a month before the elec*tion, to the growing frustration* of his conservative rivals; he duly led the field in the first round of voting; and inflicted a historic defeat on his Gaullist challenger in the second.

Thirty years earlier, Francois Mitterrand had bitterly denounced the constitution of the Fifth Republic introduced by Charles de Gaulle as a *coup d'etat permanent*; and yet he was the first socialist to be elected president of the Republic, *and by the time* he was re-elected he had come to incarnate the legitimacy and continuity of its constitution.

The inevitability of Mitterrand's victory rested on three factors: his personality and political style, the personality and political style of his opponents, and the antagonisms between the right-wing parties and their candidates.

Of these three factors, the *third was undoubtedly decisive.* In contrast with 1981, when his policies had been deliberately sectarian, Francois Mitterrand had by 1988 become a pacifier and a compromiser, and he manifestly carried conviction when *he* professed an ambition to unify the French *people.*

Conversely, Jacques Chirac was a vigorous and uncompromising champion of the right, and if his thrusting energy commanded respect, his political principles sometimes seemed questionable.

By contrast, platforms and policies played a secondary role in a campaign which was distinguished, if not by a real consensus between left and right, at least by an apparent *convergence of declared* priorities and a studied evasion of serious political debate.

Mitterrand may have posed as the candidate of the centre-*left, as it were, Raymond Barre* as the candidate of the centre-right, and Jacques Chirac as the candidate of the right, but the agendas of all three showed an uncanny degree of overlap: the need to meet the challenge of the 1992 target for the single European market, the need for France to become more competitive and fight inflation, the case for a stronger European monetary system, and the importance of an improvement in the French education and training system.

Francois Mitterrand did not deny his history as a socialist nor his continuing support for *socialist ideals, but he did his* best to establish a certain distance between himself and the Socialist Party. He needed to seek a broader national base of political support in the centre as well as on the left, and for that he needed to claim a position above party factionalism.

But in any case his own political ideas had also softened over the years. Long buried were the heady days of 1981 when, after 23 years in opposi*tion, the Socialists swept to* power with radical plans to change the world. Within three years their ambitions were beaten down by the confrontation with the harsh realities of the international economic system, and by 1988 the new watchwords were realism, moderation and consensus.

There were political differences between himself and his conservative opponents, of course: Francois Mitterrand intended to restore a wealth tax; Jacques Chirac promised to press ahead with the programme of privatisation; Raymond Barre wished to introduce tax incentives for corporate investment.

But none of these specific policy divergences was serious enough to swing the result. The decisive factors were the personal images of the contestants and, above all, the divisions on the right.

During the early years of the Fifth Republic, the Gaullists were continuously sustained in power partly by the charisma of Charles de Gaulle and partly by the impotence of a divided non-Communist left.

But after 1969, the position was reversed: the Gaullists were seriously weakened by the resignation of their leader, whereas Francois Mitterrand began the long, slow process of building up the Socialist Party as an alternative to the Communists.

By the time President Georges Pompidou died in 1974, this reversal of forces was starting to take its toll of the conservative parties. Jacques Chaban-Delmas, the Gaullist candidate for the presidency, was challenged and defeated by Valery Giscard d'Estaing of the centre-right Republican Party, with the disloyal help of Jacques Chirac, a rising star of the Gaullist party.

This scenario of division and betrayal on the right was played out again in 1981 by the same cast of characters, when Jacques Chirac ostentatiously declined to support Giscard d'Estaing to re-election, and thus helped Francois Mitterrand to a victory which paved the way for a socialist landslide in the ensuing general elections.

The victory of the conservatives in the 1986 general election seemed to suggest that France, in line with so many other industrialised countries, was moving to the right, and appeared to offer them a serious prospect of being able to recapture the presidency in 1988. The trouble was that the conservative parties remained divided, and this division sowed the seed for their defeat two years later.

Discord on the right has a long history in France, according to the classic study by Rene Remond, who argues that there are three distinct and mutually antagonistic right-wing traditions which go back as far as the Revolution.

There are the pure conservatives, originally monarchist and still Catholic; there are the free-thinking, economic liberals, whom Remond calls Orleanists; and there are the Bonapartists.

Variants of these three strands can still be identified in the French political spectrum today: the Christian Democrats, the Republicans, and the Gaullists; and even if the historical continuity of the three traditions may sometimes *seem a little far-fetched,* the reality of the present-day antagonism between the various parties was amply confirmed in the 1988 presidential election campaign.

In the first place, the election was overshadowed by a challenger from the extreme right, Jean-Marie Le Pen, leader of the National Front, who seemed to have a good chance of scoring over 10 per cent.

Second, the mainstream conservative parties were once more unable to agree on a single candidate, and divided between Jacques Chirac, the Gaullist Prime Minister, and Raymond Barre, former Prime Minister and self-selected as an independent conservative.

At a superficial level, the public opinion polls regularly seemed to confirm the verdict of the 1986 general election, that there is a right-wing majority in France.

The two mainstream candidates would be likely to total about 40-42 between them in the first round of voting, and the addition of Le Pen's 10-11 per cent would take the right-wing total to over 50 per cent; whereas Francois Mitterrand would probably score not much more than about 35-37 per cent, while the addition of the 5-7 per cent predicted for the Communist candidate would leave the *left*-wing total well short of the half-way mark.

Just as consistently, however, the polls showed that Mitterrand would carry off a victory in the second round run-off, because of the splits in the right-wing vote. A significant proportion of Raymond Barre's supporters (perhaps a quarter) would refuse to vote for Jacques Chirac in a run-off against Mitterrand, and vice versa; and an even higher proportion of Le Pen's supporters would either abstain or even vote for Mitterrand.

This pattern remained remarkably stable over time, even though Jacques Chirac steadily overtook Raymond Barre as the leading challenger to Francois Mitterrand. In the event, the verdict of the election was even more harsh for the right.

In the first round, Jacques Chirac did indeed come ahead of Raymond Barre, but his score of under 20 per cent was much worse than expected; whereas Jean-Marie Le Pen on the extreme right made a shock breakthrough with over 14 per cent.

In the second round run-off, Jacques Chirac again scored well below forecast, with under 46 per cent, a defeat of historic proportions.

Chirac tried to explain away the disaster by blaming it on the arithmetic consequence for the right of having two mainstream candidates, but the lessons of the shipwreck were more fundamental than that: the conservative half of the French political spectrum was in a state of systemic crisis which would be difficult to resolve.

And until the crisis was resolved, the right might well have to spend a considerable time in the desert, leaving the Socialist Party as the natural party of government.

The crisis of the right naturally falls into three separate parts: the Gaullist party; the various parties of the centre-right gathered under the UDF umbrella grouping; and the National Front. Of the three, the Gaullist crisis is pivotal, because of its ramifications for *the UDF in the centre and the* National Front on the extreme right.

The problem of the Gaullist party is that it no longer has a clear image or a stable constituency. For 20 years after the 1939-45 World War, the movement was a direct reflection of the personality of General de Gaulle: nationalist, populist and interventionist, and slightly authoritarian, but not automatically right-wing.

*In the past five years, how*ever, the party has abruptly shifted its public discourse away from nationalism and interventionism towards economic liberalism and support for European integration.

At the rational level, the shift makes sense: amid the shifting uncertainties of the Gorbachev era and the third industrial revolution, nationalism is an unreliable basis for French policy. At an irrational level, *however, the party has* been unable to shake off the nostalgic folk memory of a muscular interventionist state under the charismatic leadership of a populist hero, and some of the old-timers of the Gaullist movement maintain that the solution to the crisis is to turn back the clock and rebuild the party the way it was before.

Continued on Page 4

■ THE FRENCH PRESIDENTIAL ELECTION: Round One, April 24, 1988.
☐ Electorate 38.1m
☐ Votes cast....31m
☐ Abstentions....7.1m (18.6%)
☐ Candidates' votes percentages:
Mitterrand....10.37, 34.09%
Chirac..........6.06m, 19.94%
Barre...........5.03m..16.54%
Le Pen.........4.38m, 14.39%
Lajoinie 2.06m, 6.76%
Waechter......1.15m; 3.78%
Juquin..........0.60m, 2.1%
Laguiller.....0.60m; 1.99%
Boussel........117,000, 0.38%

■ PRESIDENTIAL ELECTION, Round Two, May 8, 1988:
☐ Electorate.... 38,168,869.
☐ Votes............ 30,923,249; abstentions, 15.94%
Mitterrand... 16,704,279; 54.02%
Chirac..........14,218,970; 45.98%

■ GENERAL ELECTION, Round One, June 5, 1988
☐ Electorate...... 37,945,582.
☐ *Votes............24,432,095; abstentions, 34.26%*
Extreme Right....0.36%
PCF.............11.32%
PS and allies....37.55%
Ecologists.......0.35%
Regional........ 0.07%
UDF................8.49%
RPR.................19.18%
Various Right....2.85%
National Front...9.65%
Extreme Right... 0.13%

■ GENERAL ELECTION, Round Two, June 12, 1988
☐ Electorate.................. 30,045,772.
☐ Votes, 20,303,575; abstentions,30.11%
☐ Parties and seats
PCF.................................. 27
PS and allies.................275
RPR..................................130
UDF... 131, (of which Centrists, 41)
Various Right.................. 9
National Front..................1

■ THE FRENCH GOVERNMENT, formed June 28, 1988
☐ Prime Minister: Michel Rocard.
☐ Ministers of State, *(for parties, see footnotes, below)*:
Education, Lionel Jospin (PS).
Finance and Economics, Pierre Bérégovoy, (PS).
Equipment and Housing, Maurice Faure, (MRG)
Foreign Affairs, Roland Dumas, (PS).
☐ Ministers:
Justice, Pierre Arpaillange.*
Defence, Jean-Pierre Chevenement, (PS).
Interior, Pierre Joxe, (PS).
Industry, Roger Fauroux.*
European Affairs, Edith Cresson, (PS).
Transport, Michel Delebarre, (PS).
Public Administration, Michel Durafour,(UDF-Radical).
Employment and Training, Jean-Pierre Soisson, (UDF-Republican).
Overseas development, Jacques Pelletier,(UDF).
Culture, Jacques Lang, (PS).
Overseas Territories, Louis Le Pensec, (PS).
Agriculture, Henri Nallet, (PS).
Post; Space, Paul Quilès, (PS).
Parliament, Jean Poperen, (PS).
Health; Government Spokesman, Claude Evin, (PS).
Research, Hubert Curien.*
Foreign Trade, Jean-Marie Rausch, (UDF).
Ministers Delegate: 10, including:
Budget, Michel Charasse, (PS).
Secretaries of State: 17, including:
Plan, Lionel Stoleru, (UDF).
☐ Other leading Socialist Party figures:
Pierre Mauroy: First Secretary, Socialist Party.
Laurent Fabius: President of the National Assembly.

☐ *Footnotes: PS = Parti Socialiste; MRG = Mouvement des Radicaux de Gauche, close to PS; UDF = Union pour la Democratie Francaise, the centre-right umbrella grouping Radical, Republican = parties inside the UDF; *non-party personality.*

Ian Davidson

Siquier Courcelle et associés

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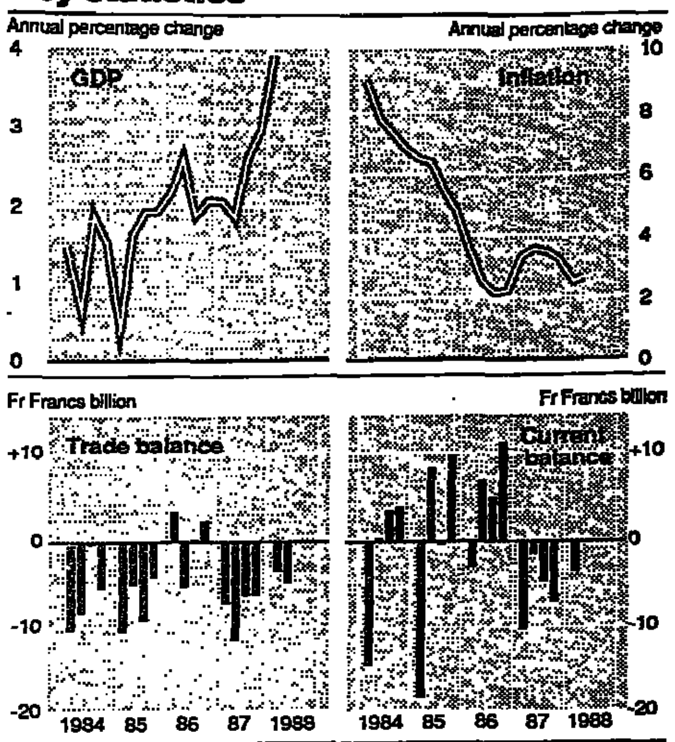
Key statistics



THE ECONOMY

Signs of buoyancy

THE FRENCH economy is sailing swanlike towards the end of 1988 with its best growth rates for a decade, with strong industrial investment and with the growth of its unit labour costs under control.

The incoming Socialist Government has not only managed to maintain an image of economic orthodoxy, refusing to devalue the franc in the European Monetary System — and even managing to cut French interest rates while the West German Bundesbank was raising its rates — and keeping the same target for a reduced budget deficit as its right wing predecessor.

Like the swan, however, France has two legs paddling like mad under the surface in an effort to sustain this apparently buoyant superstructure.

The two weak points of the economy remain its trade balance, in deficit since 1978, and unemployment, which has been rising consistently over the same period and seems likely to continue on this trend.

French industry has been losing market share in international export markets since the mid-1970s. Studies by the state statistical unit, Insee, estimate the loss at seven percentage points between 1974 and 1985. At the same time, import penetration of the French domestic market has increased, rising from 26 per cent in 1974 to 40 per cent in 1985.

Exports accelerated in the second half of 1987, taking advantage of the growth in world demand as they had failed to do for the two previous years, but although the increase continued into the first half of 1988 it is expected to flatten in the coming months as the growth in world demand slows.

Imports have also risen strongly over recent quarters, as strong industrial investment sucked in machinery and equipment from countries like West Germany and Italy. This

The Socialists are maintaining an image of economic orthodoxy

factor may now be slowing down, and imports of consumer goods are also expected to slow, stabilising the rate of import penetration.

An analysis by Insee last year suggested part of the problem lay in the over-specialisation of French industries on up-market products, whose price tended to rise faster than average, and had abandoned the middle and bottom ends of their home markets, first to other European producers, mainly Italy, and then to the Mediterranean and South East Asian countries.

France exports handbags, for example, at prices nearly double those of its handbag imports, yet this leathergoods sector, conventionally viewed as one of the country's great successes with brands like Louis Vuitton, has seen a spectacular deterioration in its trade balance. In 1970, France exported more than twice as much as it imported in the leather sector, today, it exports only half as much.

The Insee study put the blame for the loss of market share on a lack of productive investment. This failing has been partly redressed over the last four years, with productive investment in the competitive sector rising by 5.6 per cent in 1985, 6.4 per cent in 1986, 7.7 per cent in 1987 and a forecast 9.5 per cent this year.

But the effects of this new equipment on France's trade performance are expected to take some time to filter through. Over the period from 1980 to 1987 France's total gross fixed capital formation remained stagnant, compared with an increase of 15 per cent in Britain, 25 per cent in the US and nearly 35 per cent in Japan, so there is some catching up to do.

The picture appears more favourable in the current account of the balance of payments than in the foreign trade balance. Strong exports of services, and especially tourism receipts, have helped to halve the current account deficit so far this year.

The problem of unemployment seems likely to be more durable. Despite some improvement in the creation of jobs over the last year, the expansion of the population of working age will require a larger increase if unemployment is not to increase. The effect of special work and training schemes appears to reach a *plateau*.

The Observatoire Francais des Conjonctures Economiques, an economic research institute, estimates that France will need to create an average of 70,000 net new jobs a year simply in order to keep the unemployment rate around 10 per cent in 1990.

In the 1990s the demographic pressure will slacken slightly, but OFCE calculates that to reduce the unemployment rate to 7.5 per cent by the year 2000 would require the net creation of 103,000 new jobs a year, while a cut to 5 per cent would need 147,000 new jobs a year.

The problem thus appears graver in France than in West Germany, where the slackening of the birth rate means that even if no new jobs are created unemployment should fall below 5 per cent by 1990, or than in the UK or Italy.

Besides renewing some of the special work and training schemes of the last government, the new administration of Mr Michel Rocard has just announced a series of measures designed to boost the creation of jobs, especially by small companies.

These measures range from a reduction in employers' social security contributions and a two-year holiday from these contributions for individual entrepreneurs hiring their first employee, to a reduction in the rate of corporation tax on reinvested profits, the extension of low interest loans to small businesses, and a five year exemption from corporation tax for new companies created between January next year and December 1993.

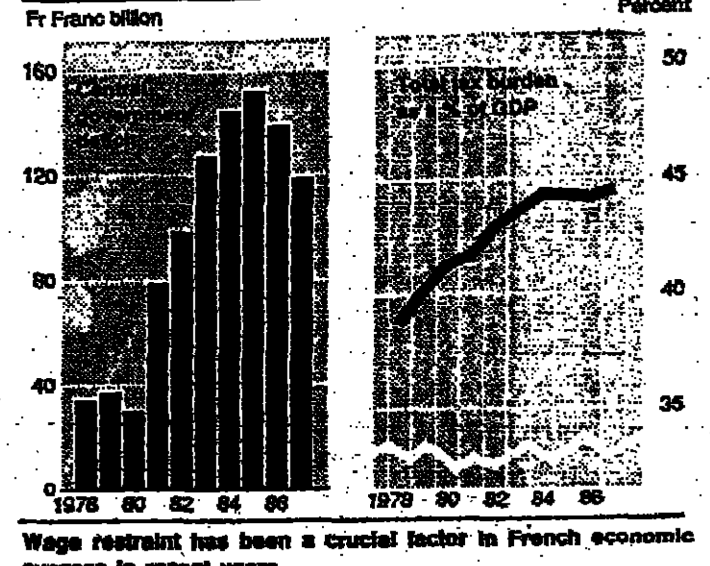
"It is not the state which hires, it is the companies," Mr Rocard said.

But the Government, besides attempting to reduce the causes of unemployment, is also putting into effect a plan aimed at dealing with its effects: the "minimum insertion income" proposed by President Francois Mitterrand in his re-election manifesto earlier this year.

Similar to the UK's system of supplementary benefit, but with an additional element of work experience or training, the new minimum income is aimed to provide a safety net of FFr2000 a month for perhaps 500,000 of France's poorest citizens.

George Graham

Fiscal policy



Wage restraint has been a crucial factor in French economic success in recent years.

Michel Rocard: for long one of the nation's most popular politicians.

Lionel Jospin: his portfolio is a high priority for the new government.

Pierre Bérégovoy: able to boast of a genuinely proletarian background.

Roland Dumas: a man of political influence and fluent in English.

Jean-Pierre Chevenement: brilliant but puzzling figure in the Socialist Party leadership.

Michel Rocard, Prime Minister

At the age of 58, Michel Rocard has long been one of the most popular politicians with the general public in France, by virtue of an image of youth and candour, and a set of modernising values which place him firmly at the social-democrat end of the Socialist Party spectrum.

These same characteristics made him much less popular with the traditionalists of the party machine, not least because of his unconcealed ambition to challenge President François Mitterrand as the Socialist Party's standard-bearer in the Elyseé Palace.

He was passed over for the prime ministership during President Mitterrand's first term in favour of two loyalist members of the Party, Pierre Mauroy and Laurent Fabius. But his hour has come with *the evolution of President Mitterrand's new aim of building a* broader and more consensual political base through an *ouverture* to the centre.

Despite the years of waiting, Michel Rocard still manages to project an image of youth and candour; President Mitterrand's second term will depend heavily on whether Michel Rocard can build a reliable majority in the National Assembly by putting into practice a more harmonious form of political debate.

If he fails, there will be no shortage of fellow-socialists ready to stab him in the back. Meanwhile, Laurent Fabius remains Rocard's leading rival for the succession to Francois Mitterrand.

The son of a scientist, Michel Rocard was educated at the famous Lycee Louis-le-Grand, at the Sorbonne, at Sciences-Po and at the *Centre d'Etudes des Programmes Economiques*. Like many leading politicians in France, he started life as a high-flying civil servant — he is Inspecteur General des Finances — but he has been a political activist for over 35 years.

In 1953 he became national secretary of the student section of the SFIO, forerunner of the present Socialist Party, and later switched to the left-wing Parti Socialiste Unifie (PSU), reaching public eminence as national secretary in 1967.

In the face of the steady growth of the rejuvenated Parti Socialiste under Mitterrand's leadership after 1969, Rocard resigned from the PSU in 1974 and joined the PS.

Deputy for les Yvelines since 1978 and mayor of Conflans-Saint-Honorine since 1977, Michel Rocard was successively Minister for the Plan and for Agriculture during President Mitterrand's first term; he resigned in 1985, ostensibly in protest at the government's decision to switch the voting rules for the *1986 general election from majority voting* to proportional representation.

Michel Rocard is only the second protestant to become Prime Minister this century — the first was the Gaullist Maurice Couve de Murville — but a number of leading Socialist Party members are protestant, including Lionel Jospin, Education Minister, Louis Mermaz, former president of the National Assembly and now leader of the Socialist group in the Assembly, and Georgina Dufoix and Louis Mexandeau, both former ministers.

Lionel Jospin, Education Minister

The son of a teacher, Lionel Jospin, now 51, was educated at Sciences-Po and the Ecole Nationale d'Administration.

After five years in the Foreign Ministry, he became professor of economics at Paris-Sceaux from 1970 to 1981. Since 1973 his career has been concentrated inside the bureaucracy of the Socialist Party, culminating as First Secretary from 1981 until this year, and he has been rewarded for the galley years with a rank in the cabinet which is second in status only to that of Michel Rocard, and a portfolio (Education) which is top priority for the new Socialist Government.

Pierre Bérégovoy, Finance Minister

Mr Bérégovoy, aged 62, can claim at least two distinctions: he is one of the few leading figures in the Socialist Party to be able to boast of a genuinely proletarian background, and it was he (in his first tour of duty as Finance Minister, four years ago, during *François Mitterrand's first presidency*) who launched France on the path of economic liberalisation and deregulation, before the Chirac government came along in 1986 to make it fashionable.

He started his professional life at the age of 16 as a machine-tool operator in the gas industry, and he was still employed by Gaz de France in 1978.

Like Michel Rocard, he became a leading member of the secretariat of the left-wing Parti Socialiste Unifie (PSU) from 1963 to 1967, but he was quicker to foresee the strength of the Socialist Party under Francois Mitterrand, which he joined in 1969.

Pierre Bérégovoy was promoted to Secretary General at the Elysée Palace after President Mitterrand's election in 1981, Minister of Social Affairs 1982-84, and Minister of Finance in the Fabius government of 1984-86.

Roland Dumas, Foreign Minister

Unlike so many of his predecessors in recent years — technicians promoted out of the ranks of the diplomatic corps — Roland Dumas, aged 66, has been a politician in his own right for many years; he was first elected to the National Assembly in 1956.

On the other hand, he is *more a man of influence* than power, but since he owes his influence to his long-standing personal connections with François Mitterrand, for whom he has been a personal lawyer and political fixer, his influence under the present regime is considerable.

He has been an advocat at the Paris Court of Appeal since 1950. Elected a socialist deputy for the Dordogne in 1981, he was Minister for European Affairs in 1983-84, spokesman for the government in 1984, and Foreign Minister in 1984-86.

Having been educated partly *at the* London School of Economics as well as at the Paris Law Faculty, he is fluent in English.

Jean-Pierre Chevenement, Defence Minister

At the age of 49, Jean-Pierre Chevenement is one of the more brilliant as well as one of the more puzzling of the Socialist Party leadership.

His early career was founded on the classic cursus honorum: Sciences-Po in Paris with a degree in law and economics, a diploma in German from Vienna, Ecole Nationale d'Administration, and a short stint at the Finance Ministry.

He joined the Socialist Party in 1964, has been deputy for Belfort since 1973, and held a series of important portfolios during Francois Mitterrand's first presidential term: Research and Technology, Industry, Education.

For many years he enjoyed a reputation as a left-wing *enfant terrible* of the party, most notably since taking over the leadership of the left-wing CERES think-tank in 1965; but, two years ago, CERES was renamed Socialisme et Republique, apparently marking a shift towards a form of socialist Gaullism. He claims to be delighted with the Defence portfolio.

Continued from page 2

A crisis on the right

The problem is that the RPR party lacks a leader with the popular charisma of de Gaulle, and the top echelons of the party are divided over the best way out of the dilemma.

Edouard Balladur, Finance Minister in the Chirac government and architect of the privatisation programme, has urged the enlargement and modernisation of the Gaullist party's political base by the creation of close links with other parties on the centre-right, starting with the Republican Party. By contrast Charles Pasqua, Interior Minister in the Chirac, believes the Gaullists must cling to its historical roots and rebuild on the old populist foundations.

In the aftermath of defeat Jacques Chirac showed no sign of being able to choose between these conflicting lines of advice; indeed, for three months after the presidential election he virtually disappeared from view, giving rise to widespread speculation that he had suffered a personal psychological blow from which he might not quickly recover.

Many leading members of the RPR began openly to argue that the party should become more democratic (i.e. less subject to the fiat of its leader), and a few began to hint that Chirac should step down.

Philippe Seguin, Social Affairs Minister in the Chirac government and a would-be reformist in the Gaullist movement, challenged Chirac's leadership by saying that "this party has other things to do and to say than simply organise the presidential candidacies of Jacques Chirac."

But it would not be easy for the RPR to be both more populist and more democratic, and while it could not easily resolve its problems under the leadership of a man so signally marked by defeat, he does not have a natural successor, and unless he were to step down voluntarily, it is hard to see how a successor could emerge.

Since Jacques Chirac is relatively young — he is 55 — and in good physical health, the odds are that it is under his leadership the Gaullist party will have to solve its problems.

By contrast with the RPR, the centre-right parties in the UDF emerged relatively well from the general election defeat, at least in theory. They lost fewer seats than the Gaullists, and for the first time outnumbered them in the National Assembly.

As a result, former President Giscard d'Estaing, founder of the Republican Party, seemed to entertain the hope of making a serious comeback on the political scene. The repertoire of the centre-right looked largely

The debate continues over the Le Pen factor

ephemeral and illusory, however, because the UDF could scarcely avoid coming apart under the opposing pulls of the Socialists and the Gaullists.

For the duration of the general election campaign, Valery Giscard d'Estaing succeeded in holding the UDF together in an electoral alliance with the Gaullists.

Barely were the results declared, however, than the union started to fragment. On the right, Francois Leotard, current leader of the Republicans, renewed overtures of alliance with the Gaullist RPR party; in the centre, the Centre des Democrates Sociaux (CDS) laid down a marker of independence from its UDF allies by asserting the status of an autonomous party in the National Assembly. And a handful of Mr Barre's supporters responded to President Mitterrand's gestures of an "overture" to the centre by accepting second-rank portfolios in the Rocard government.

Just how these contradictory pressures will play out remains to be seen after the political season returns to life, but it is already very hard to imagine the UDF holding together.

When Jean-Marie Le Pen asserted that his score of 14.4 per cent in the first round of the presidential elections was an "earthquake" on the French political scene, his claim echoed the sense of shock which ricochetted round the French establishment.

But when in the ensuring general election the National Front scored only 9.65 per cent, less than in 1986, respectable France heaved a sigh of relief, and most mainstream politicians decided the National Front was not after all a major threat to the system.

Yet amid the flux of contradictory interpretations, it seems likely that the Le Pen factor should still be taken seriously as a one of the significant symptoms of the crisis of the right.

On the one hand, Mr Le Pen's remarkable score can be written off as the kind of risk-free protest vote which is liable to be encouraged by France's two-round voting system, but is not to be taken too seriously. When the voters really had to choose their parliamentary representatives, the National Front did relatively poorly and only secured one deputy — and it was not Mr Le Pen.

The alternative view is that the Le Pen factor is a real warning of popular dissatisfaction with the political establishment, that this is a time-bomb, even if it has not yet exploded, and that an extreme right-wing vote of nearly 10 per cent is itself serious cause for concern.

On balance, it seems prudent to assume that the National Front phenomenon is one aspect of a political crisis which particularly afflicts the French right, but which reflects on the rest of the political spectrum as well.

After all, the general election produced three symptoms of voters' dissatisfaction: a combined vote by parties of extreme left and extreme right of over 20 per cent; an abstention rate of more than 30 per cent; and no clear parliamentary majority.

The most striking feature of the two election campaigns was the profundity of the crisis of the French right, but the over-all result gives the left no cause for complacency either.

Rising exports and booming capital investment

Broad-based expansion

■ Gross Domestic Product

FRANCE'S economic growth has depended for the last two years on domestic consumption, but if growth this year has started to accelerate rapidly, it has also been much more broadly-based.

Led by rising exports, and above all by booming capital investment, France's gross domestic product seems likely to expand by between 3 and 3.5 per cent in 1988, its most dynamic increase for ten years.

Like other international economic forecasters, the national statistical institute Insee and the French Finance Ministry both over-estimated the likely negative impact of last October's stock market crash on consumption.

Both have already revised upwards their projections for this year, but, with the economy growing by 1.2 per cent in the first quarter of 1988 and by 0.6 per cent in the second, even modest growth in the second half will give a result above their new forecasts.

■ Inflation

Despite *an acceleration over* the last six months, French inflation remains moderate. The official budget target of 2.5 per cent inflation is likely to be exceeded, but so far the inflation gap between France and West Germany, closely watched by the Paris government, appears under control.

Prices for services are rising much faster, however, particularly rents, which increased by 6.4 per cent in the 12 months to July. At the same time, pressure for wage increases appears to be building up as employees return to work after the summer holidays.

Wage restraint has been a crucial factor in French economic success over recent years. Unit labour costs are estimated to have risen by 1.75 per cent last year, compared with 2.75 per cent in the rest of the OECD area, while the Paris-based economic organisation forecasts even slower rises this year and in 1989.

Demand from workers for an increase in their purchasing power could reverse this favourable trend, however. Household purchasing power has grown by less than 0.7 per cent a year over the last five years, and households' share in national income has dropped over the same period by 4 percentage points to 69.2 per cent of GDP – to the benefit of the corporate and financial sector.

■ Current account

Despite a modest improvement this year, France's foreign trade position remains a constraint on economic policy – enough so for the government to give up plans to lower Value Added Tax on hi-fi equipment for fear of encouraging imports.

The foreign trade deficit in the first seven months of the year reached FFr14.8bn, compared with FFr21.7bn in the same period a year earlier.

The deficit in manufactured goods persists, not helped by the strength of capital investment which led to a deficit of FFr14.1bn in capital goods in the first seven months, while agricultural and food products, showing a trade surplus of FFr22.9bn in the same period, helped to restore the balance.

A recovery in tourism receipts with a strong flow of visitors from West Germany, however, brought the current account of the balance of payments into a seasonally-adjusted surplus of FFr8.7bn in the first four months of 1988, compared with a surplus of FFr2.3bn in the same period of 1987.

■ Unemployment

The Government had warned that unemployment would rise over the summer as a number of training and special employment schemes introduced by the previous right-wing government expired.

Its warning has been borne out, with the unemployment rate rising to 10.4 per cent, after dipping to a low of 10.1 per cent in March.

The underlying rate of France's unemployment is likely *to rise substantially* in the years ahead for demographic reasons. One recent study forecasts an unemployment rate of 11.6 per cent by 1990, *climbing to nearly 16 per* cent by the turn of the century.

The new administration has *renewed many of its special* training schemes, and is also on the point of introducing a "minimum insertion income" – similar to the UK's supplementary benefit though including an element of training or work experience.

The minimum income, one of President Francois Mitterrand's principal campaign pledges, will cost about FFr8bn and be financed mainly by a re-introduced wealth tax.

■ Fiscal policy

Two years of the government of Mr Jacques Chirac brought France's central government deficit down from FFr153.3bn in 1985 to FFr120bn in 1987. This year will see a further FFr10bn reduction in the deficit and the new government aims for a similar cut to a defi*cit of FFr100bn in 1989.*

Controlled spending and healthy tax income over this period, plus the receipts from the privatisation programme, left room for about FFr70bn of tax cuts, and the weight of central government taxation has fallen from a peak of 18.1 per cent of GDP in 1982 to 17.2 per cent in 1987.

At the same time, however, local taxes and social security contributions have risen, more than offsetting the central government tax cuts and taking the total fiscal pressure up from 42.8 per cent of GDP in 1982 to 44.7 per cent last year.

The new government's budget for 1989 aims for a 4.6 per cent increase in spending to FFr1,130bn, with about FFr10bn of tax cuts divided between reductions in VAT and a cut in the rate of corporation tax on re-invested income from 42 to 39 per cent.

George Graham

FINANCIAL DEREGULATION

Major reforms under way

TWO YEARS out of office seem to have done little to take away Mr Pierre Bérégovoy's appetite for prodding Paris's financial establishment to leave its protective cocoon.

In his first spell as Finance Minister, between 1984 and 1986, Mr Bérégovoy began the process of financial reform and deregulation. His right wing successor, Mr Edouard Balladur, took the process several steps further.

On the return of the socialist administration in May this year, following the re-election of President Francois Mitterrand, Mr Bérégovoy found himself back at the Finance Ministry.

Financial market deregulation appears to be one of the sectors which still interests him, and with the freeing of capital movements within the European Community due in mid-1990, and the opening up of a single market in financial services in 1993, he has plenty *of raw material with which to* work.

The overhaul of the French financial sector during the 1980s has already been far-reaching. From a system dominated by bank lending, with both the quantity and the cost of credit tightly controlled by the Government, France has moved towards disintermediation, with companies increasingly financing themselves directly in the capital markets.

Three major and parallel reforms have been carried out:

☐ The opening up of the banking system.

☐ The development of long-term financing on the primary capital markets.

☐ The unification and modernisation of the secondary capital markets.

In the banking system, the most important step was the progressive abolition of the *encadrement du credit*, the system of quantitative credit controls which had been the main instrument of French monetary policy since 1972, and which finally died on January 1, 1987.

Simultaneously, the number and size of credit subsidies was gradually whittled away. Foreign bankers noted with bewilderment that until 1984 there existed at least 54 separate channels for subsidised credit, and sighed with relief as these became obsolete.

The growth of long-term capital market issues was helped by the improving economic environment of the early 1980s, but was fostered by a number of structural changes in France.

In the first place, the state recreated the bond market by overhauling government borrowing practices. State bonds, issued by regular monthly auction, accounted for a total of FFr524bn in issue at the end of 1987.

Secondly, the equity market obtained a new lease of life, thanks partly to innovations such as the creation of a second market for smaller companies, the revitalisation of some of France's regional stock exchanges, and the development of new equity instruments such as the non-voting certificates of investment, which enabled state sector companies to tap the markets.

Total new equity issues climbed from FFr10.6bn, less than FFr1bn of them listed on an exchange, in 1976, to FFr143.7bn in 1986, with FFr66.5bn of them listed.

In 1987 the trend flattened off, with FFr156.9bn of new issues, but offerings have begun to pick up again after the lull provoked by the crash of October 1987.

The main victim of the rise of equity issues have been the savings banks, who saw savings book deposits grow only slowly and then suffered a decline as the public turned to direct stock market investment with the advent of the privatisations.

Probably as important as either of these developments, however, was the modernisation of mutual fund legislation, with inducements for funds investing in domestic securities under the Monory law, named after the finance minister at the time of their introduction in 1978.

The Sicavs, or regulated mutual funds, controlled FFr1028.5bn of assets at the end of August, compared with less than FFr70bn at the end of 1981. More than half of these funds are invested in money market instruments, thus boosting the newly-fledged markets in commercial paper and certificates of deposit, or in monetary substitutes such as repurchase agreements and floating rate bonds, which have an impact on the bond market.

Funds totalling over FFr128bn are, nevertheless, invested in French equities, even if France's mutual fund legislation still obliges them to maintain 30 per cent of their portfolios in bonds.

The modernisation of the secondary markets has played an essential role in attracting savings into both equity, bond and traded money market securities. State bonds have been removed from the stock exchange monopoly, and are now traded by a network of market makers, principally the twelve designated primary dealers. They accounted for 73 per cent of total French bond market trading volume in the first six months of 1988.

The stock exchange itself has been reformed, with the entry of outside capital into the *agents de change* or brokers now permitted, and their closed shop, dating from Napoleonic times, due to disappear in 1992. Trading systems have been overhauled, with most major stocks now traded off the market floor through the electronic CAC screen system or, for larger sizes of order, through the block trading market.

The stock exchange's disastrous handling of its own reserve funds, resulting in losses of FFr614m and the resignation of Mr Xavier Dupont as exchange chairman, have helped to accelerate the process, by breaking down the opposition to change of the "old school" and making clear the urgency for introducing capital adequacy ratios applied to each individual broking firm, rather than continuing to rely on the market's traditional "solidarity."

New financial instruments have also been introduced, ranging from financial futures on the Matif market to the wide range of securities traded over the counter between banks, to which mortgage-backed securities appear likely to be added soon.

Mr Bérégovoy has already, in his four months in office so far, carried out some new measures aiming in the same direction. He has, for example, lowered the minimum amount of commercial paper that may be issued from FFr5m to FFr1m, thereby intending to open the way for smaller companies to use this market, or at least to put pressure on their bankers for lower interest rates, and encouraged the stock exchange to step up the pace of its modernisation, bringing forward, for example, the date on which banks and other outside investors may take full control of broking firms.

The first phase of financial market reform was largely inspired and controlled by the finance ministry, led by men like Mr Daniel Lebegue, then head of the Treasury and now joint managing director of Banque Nationale de Paris, Mr Philippe Jaffre, who was Mr Lebegue's deputy and who is moving to the small investment bank Banque Stern, or Mr Jean-Charles Naouri, previously head of Mr Bérégovoy's private office and now with the Rothschild group.

In this second phase the minister is less leading than adopting the role of picador, prodding the Paris financial establishment, and especially the banks, who still have distinctly corporatist reflexes on many questions, to change its ways.

Mr Naouri, in a study of the process of financial deregulation, wondered whether the private sector would be able to take up the initiative of reform. With developments such as OMF, the independent market in stock index futures and options which is challenging the official Matif futures market, there are signs that the initiative may be seized.

The Finance Ministry will still have plenty to do. With the arrival of the single European market, the Government is expected to have to overhaul the complicated and diverse tax regimes which govern different sectors of the financial services industry.

Apart from the mutual fund regulations, the general question of how savings products are taxed has provoked considerable argument in France. A recent report by Mr Lebegue, now in the competitive sector at BNP, argued that since French taxes on capital are heavier than those in other countries, it will be necessary to take measures to avoid a substantial flight of capital.

Mr Lebegue's conclusion – that a uniform withholding tax should be imposed in all EC countries – is unlikely to gain support throughout the Community. UK Government officials point out that even if his proposal would reduce capital flight to other EC countries, it *would do nothing about flight* to other centres such as Switzerland, the Channel Islands or the US.

But the question of taxation is now being studied by the European Commission, which is due to make proposals next year. The end result seems likely to be that Mr Bérégovoy will have to work on the abolition, reduction or simplification of a number of specific French taxes such as stock *exchange duty* – which would greatly facilitate the introduction of market-making in the equity market – and insurance taxes.

George Graham

Foreign exchange dealers, above, buying and selling currencies at the Paris Bourse. The stock exchange itself has been reformed: the brokers' closed shop, which dates from Napoleonic times, is due to disappear in 1992.

More than a quarter of French households were introduced to the stock exchange by privatisations, says **George Graham**

Privatisation plans come to an end

THE WORD has come down from the Elysee Palace: no more privatisations, but make no attempt to roll back the privatisations carried out over the last two years.

"Let us allow the bubbling to *calm down – the to-and-fro of* nationalisations and privatisations cannot continue without doing some damage," said Mr Francois Mitterrand in his election programme, earlier this year.

The reality may be a little different, for the privatisation programme of Mr Jacques Chirac's right wing Government *has modified the landscape.* The new socialist administration has already shown that it was unwilling to leave the privatised companies alone, by intervening to create a shift in the control of the Havas advertising and communications group.

In addition, the companies remaining in the state sector want to compete on even terms with their privatised colleagues, and in particular to be able to raise capital in the markets.

Between St Gobain, the glassmaker floated in November 1986, and Matra, the defence and electronics company put on sale in January 1988, the Chirac government privatised 12 groups, comprising 29 of the 65 companies listed in the framework privatisation law of 1986.

On top of these, TF1, the leading television channel, was privatised, the central financial institution of the Credit Agricole banking group was "mutualised" by being sold off to its co-operative regional members, and the industrial financing group IDI was bought out by its employees, together with a group of institutional shareholders.

Finally, 138 companies moved into the private sector through the process of "respiration," designed principally to allow subsidiaries of larger nationalised groups to be sold off without infringing the law.

In all, companies worth a combined total of over FFr120bn and employing more than 500,000 moved into the private sector. With the public offerings alone, the market capitalisation of the Paris Stock Exchange increased by the equivalent of 6 per cent of France's gross domestic product.

The privatisations introduced a quarter of French households to the stock exchange. The merchant bank, Paribas, took the record with 3.81m individual subscribers at its flotation.

But the Chirac government was not able to carry out the clinching operations: the privatisations of the two remaining large commercial banks, BNP and Credit Lyonnais, and more importantly of the three state insurance groups, UAP, AGF and GAN.

These insurance companies, with their large equity holdings, would have completed the circle of "hard core" shareholders selected by Mr Chirac's Finance Minister, Mr Edouard Balladur, to protect the privatised companies from takeover.

The "hard core" process attracted much criticism from the socialist party but also from centrist members of Mr Chirac's coalition. The new Government has not lived up to its early promise to "explode" the cores, but it has begun to use the influence of the state insurance groups, present in the capital of many of the privatised companies, as well as encouraging the creation of a rival to the original hard core in Havas, with a group of shareholders led by the Canal Plus pay television station.

The "decoring" operations appear likely, however, to end up creating counterweights to the original hard cores rather than actually breaking up these cores, which have been criticised for restoring capitalism *"a la francaise"*, with a network of crossed, triangular or cascading shareholdings, *leading* potentially to the entrenchment of an undynamic economic oligarchy.

The second major problem is where the companies which remain nationalised are to seek new capital. Although most state sector managers now say the government intervenes less in management and pay trib*ute to its modest* demands for dividends, few believe that it will become more generous in providing capital.

The problem raised by the ending of the privatisation programme is two-fold. First, part of the proceeds of the privatisations was used to supply funding for state sector companies such as CDF Chimie or the nationalised steel industry. Secondly, companies are denied the access to the capital markets which their privatised competitors have not been slow to use.

The banking sector, which must comply with more stringent capital adequacy ratios by 1992, is particularly affected. Three of the four major privatised banking groups have already launched large equity or convertible issues, but banks like BNP and Credit Lyonnais cannot easily follow suit.

State sector companies are agreed that certificates of investment, the non-voting stock issued up to a limit of 25 per cent of their equity by many state companies, are now an unattractive instrument. The Government appears for the moment to have no intention of allowing direct voting equity sales, not even if it retained majority control itself.

Rhone-Poulenc, the state chemicals group, issued in July FFr5bn of perpetual debt swapped into capital through the purchase of zero coupon US Treasury bonds to be used eventually to repay the debt.

The complicated formula appears to be more suited to industrial companies than to banks.

Mr Rene Thomas, chairman of BNP, *says that he remains* in favour of converting his bank's outstanding CIs into ordinary shares, which implies a reduction in state control, and believes he will eventually have to call on external capital – "49 per cent of the capital in private hands seems to me the maximum that can be envisaged, and no-one envisages even that for the moment," he said.

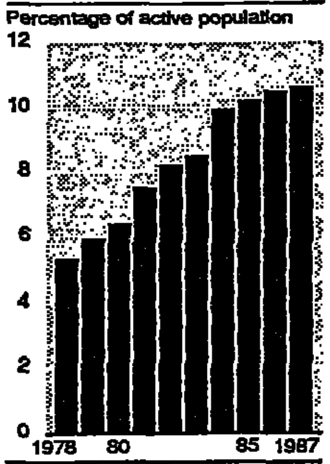
For although Mr Pierre Beregovoy, the Finance Minister, has said he plans to adopt a flexible approach to the question, in the short term he is sticking by the letter of Mr Mitterrand's declaration: "no more privatisations."

Major privatisations in France to date

	St Gobain	Paribas	Credit Commercial de France	Compagnie Generale D'Electricite	Havas	Societe Generale	TFI	Suez	Matra
Company	St Gobain	Paribas	Credit Commercial de France	Compagnie Generale D'Electricite	Havas	Societe Generale	TFI	Suez	Matra
Date of privatisation	Nov 1986	Jan 1987	April1987	May1987	May 1987	June 1987	June 1987	Oct1987	Jan 1988
Market capitalisation on July 29,1988	F. Fr 25.95 bn	F. Fr 23.69 bn	F. Fr 4.96 bn	F. Fr 23.1 br	F. Fr 9.2 bn	F. Fr 19.41 bn	F. Fr 4.94bn	F. Fr 19.34 bn	F. Fr 3.7 bn
Individual subscribers in French public offer	1.54 m	3.81 m	1.65m	2.24m	730,000	2.3 m	416,000	n.a.	285,000
Main core shareholders	Generale des Eaux 8.2%; Suez 4.8%; BNP 4.3%	Total 3%; UAP 3%	MGF 5.6%; La Suisse 5.0%; CGE 4.5%	Soc. Generale 6.2%; Gen. des Eaux 3.7%; UAP 3.7%; Soc. de Banque Suisse 3.7%	Canal Plus n.a.; Lyonnaise des Eaux n.a.; UAP n.a.	AGF 2%; CGE 2%; GAN 2%; Rhone-Poulenc 2%	Bouygues 25%	UAP 4.5-5.0%; St Gobain 4.5-5.0%	MMB 10%; GEC 4%; Daimler Benz 4%

Unemployment

Percentage of active population



The car industry has bounced back strongly into profit, says **Paul Betts**

Restructuring programme pays off

THE PARIS Motor Show this autumn has turned into a celebration of the recovery and buoyant state of the French car industry.

Long one of the benchmarks of French industrial performance, the car industry has bounced back strongly into profit after some of the most sweeping restructuring to have ever been undertaken in French industry during the last few years.

The private Peugeot group, *embracing the Peugeot and* Citroen car marques, expects to report another sharp increase in its operating profits this year, although net income will probably be at around the same level as last year's FFr 6.7bn profit.

But the private car group, which reported the biggest profit of any French enterprise last year, will be paying considerably more taxes this year since it can no longer offset in its accounts the losses of the past.

The Renault car group is also again operating very profitably after swimming in a sea of red ink a few years ago. The recovery of the state car group has been pursued by Mr Raymond Levy, its chairman, who was appointed by the Government after the tragic death of his predecessor, Mr Georges Besse, who was killed by terrorists two years ago.

The restructuring at Renault has involved a major job cut programme and the re-centring of the group's activities around its core French and European car operations, including the sale last year of its American car interests.

Productivity increases, new models – the company is presenting its new medium-range Renault 19 at the Paris Show – and a strong revival of morale have all contributed to the success of the group's recovery strategy.

But if Renault is now operating comfortably in the black, it still faces some key unresolved problems, including the eventual change in the company's legal status and a recapitalisation of its balance sheet to wipe out the debt burden accumulated in its troubled past.

The issue of Renault's status remains a delicate question for the French government which appears at present reluctant to address it.

Following its nationalisation after the 1939-45 War, Renault was given a special and privileged status of a state *regie* like the Paris urban transport authority. A group with *regie* status benefits from the full guarantee of the state and thus can never go bankrupt, unlike a company with a normal corporate status even under state control.

This has been both a blessing and a curse for Renault. The special status meant that the group did not face the prospects of bankruptcy even when it was plunging into heavy loss.

But it also delayed the process of necessary readjustment which had to be undertaken much earlier by the private Peugeot group, which at one stage also faced the threat of bankruptcy before successfully restructuring and recentring its activities.

But Mr Levy, Renault's chairman, is now keen to see the group's status changed to enable Renault to operate as any other normal company. Mr Alain Madelin, the previous right-wing industry minister, had envisaged changing the status of the company at the same time as recapitalising the group's balance sheet, which still shows negative net worth as a result of the heavy accumulated debts of the past.

However, the new Socialist government appears reluctant to spark off a new political controversy over Renault's status at this stage, much to the frustration of the state car group. This reflects how politically sensitive this issue is even though the pro-Communist CGT union, always opposed to the change in status, has been seeing *its influence decline* inside the French state group, one of its traditional labour bastions.

The issue inevitably will have to be addressed at some stage – on the one hand to complete recapitalisation of the state car group; and, on the other, to end the distortions caused by the presence of a big private group and another major state owned car producer with a special status.

In the meantime, the two companies are expected to consolidate on an operating level their strong recovery and performance of the last months.

Indeed, the French car market is expected to have an even better year this year than last with new registrations totalling more than 2.1m cars. French car industry sales in Europe have also continued to be sustained and the two French groups are actively involved in the renewal of their car ranges.

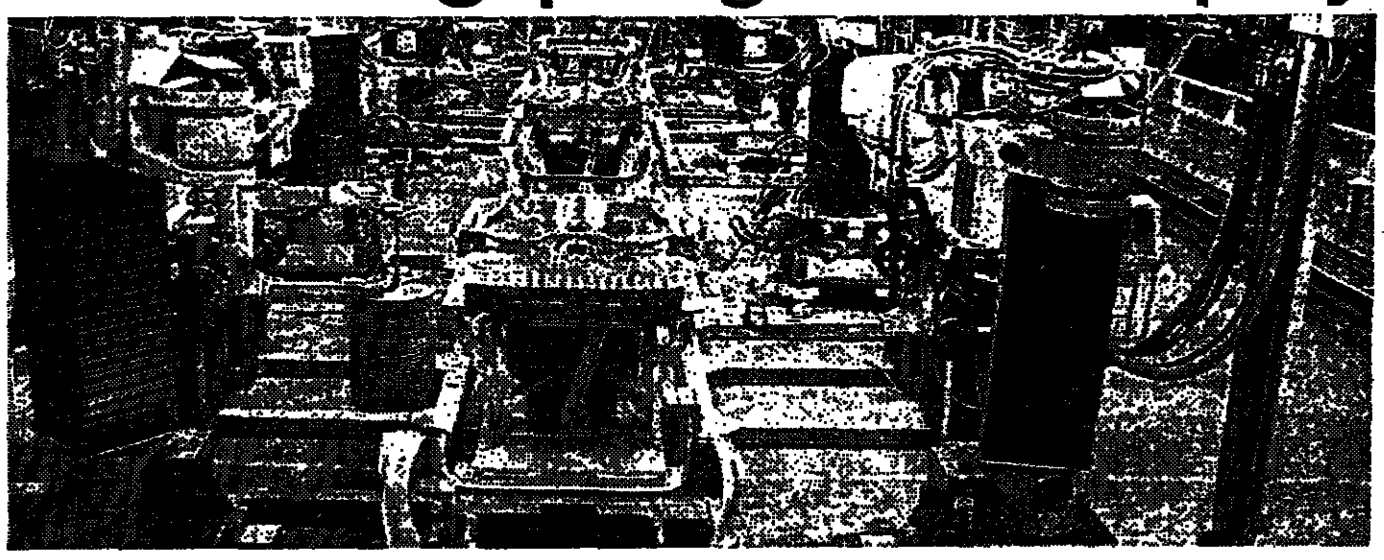
Peugeot next year will unveil new top of the range Citroen and Peugeot models after the launch this year of Renault's new medium-range car.

The French car manufacturers are also actively preparing for the forthcoming European single market. Mr Jacques Calvet, chairman of Peugeot, has been particularly eloquent in defending his group's position over new European car emission standards and Japanese imports to Europe and to the French market.

Mr Calvet, like the rest of the French industry, is insisting that Japanese cars manufactured in Europe must include at least 80 per cent of European local content to qualify as European-made cars. This is the French government's current position over the UK-manufactured cars by Nissan which the Japanese *manufacturer wants to start* exporting to France and other European markets this autumn.

The Government is also insisting on a similar level of European local content before agreeing to allow Subaru to build four-wheel drive cars in France.

The Japanese group is thus understood to be seeking French partners to supply it with components to enable it to clinch the necessary French government approval.



Vehicle manufacturers are busily preparing for the single European market of 1992. Above: a robotised car assembly line.

Collaboration in aerospace projects

Into a new era

EFFORTS BY the French Government to promote greater collaboration between the French aerospace industry and other European, and indeed American, aerospace manufacturers have been intensified during the past month.

The move reflects the concern of the French authorities to ensure that the country's aerospace industry – which together with the defence and nuclear industries have long been priority sectors in post-war France – continues to play a leading edge role in an increasingly turbulent world environment for aerospace companies.

The last few years have been particularly difficult for the military side of the French aerospace industry. The decline in oil prices coupled with the fall in the US dollar, have had a dramatic impact on France's traditional military export markets in the Middle East, as well as on helicopter sales for offshore oil operations.

The collapse in the military export market has been an especial blow for the famous French Avions Marcel Dassault-Breguet group, which traditionally has concentrated on the construction and sale of its military fighter jets. This has made it far more vulnerable than the other major French *aerospace concern, the state-*controlled Aerospatiale group.

Unlike Dassault, Aerospatiale, one of the main partners in the European Airbus consortium, has managed to offset the fall in the military business with encouraging sales prospects in its civil side with the recent successes of the Airbus consortium in winning new orders, including orders in North America.

Dassault has been forced to lay off workers and close plants *for the first time in its* long and distinguished history during the last 18 months. Moreover, the company has been caught up in a power struggle for control of the group following the death of its founder, Mr Marcel Dassault, two and a half years ago.

This power struggle pitched the former French right-wing Defence Minister, Mr Andre Giraud, against Mr Serge Dassault, son of the company's founder, who finally succeeded in establishing himself at the helm of the company as chairman.

Apart from the fall in its traditional export markets for Mirage jets, Dassault is facing an even more fundamental problem over the construction and development of the Rafale, France's fighter aircraft due to come into service in the mid-1990s.

Dassault's future is critically linked with the development of this new generation fighter jet which will compete against the rival European Fighter Aircraft project being developed between the UK, West Germany and probably Spain.

French government and aerospace officials, like other European aerospace officials, have blamed Dassault's *traditional go-it-alone policies* for blocking the possibility a few years ago for a far broader European collaboration on a new generation fighter which might also have included France.

Instead, the decision to develop two rival fighters in Europe is widely seen as weakening Europe's competitive position in this key sector against the Americans.

Since Mr Serge Dassault has taken over as chairman of Dassault, *he has* increased *efforts* to find partners to collaborate in the Rafale programme, which was given the official go-ahead by the former right-wing French government earlier this year. The new Socialist government is also anxious to help Dassault find new European partners for the project.

Mr Jean-Pierre Chevenement, the new Defence Minister, was recently lobbying the Spanish authorities to participate in the Rafale project rather than in the rival European *Fighter Aircraft.*

Indeed, Mr Michel Rocard, the Socialist prime minister, is understood to have decided to involve himself directly in these efforts to find European partners for the Rafale.

Aerospatiale has also been hit by the decline in the US currency and stagnant military export markets, which have had repercussions on its helicopter and missile activities. But in contrast it has been boosted by the improving prospects of both its civil aerospace business and its space operations.

The success of the European space rocket Ariane and the new satellite programmes in which the French group is closely involved have opened what France sees as a new industrial era for the French and European space industry.

On the civil side, Aerospatiale has been encouraged by Airbus successes in winning new orders for its new A-320 and the launch of the A-330

Continued on Page 7

Bridget Bloom examines the plight of the EC's premier agricultural producer and exporter

Farmers face big adjustments

Harvest time (left); the cereal harvest was good this year. Right: an elderly citoyenne of the small town of Nontron in southern Limousin, central France, gathers fodder for her animals. Half of the country's 700,000 farmers are over 50 years of age, many without actual or willing successors. The number of farmers could decline to 260,000 within 10 years.

FRENCH AGRICULTURE is facing its biggest challenge for 25 years - that seems increasingly to be the view of government and farming officials in France as the country attempts to come to terms with the changing face of farming in the late 1980s.

All the European Community's member-states are feeling the pinch as the so-called stabilising measures – introduced by EC leaders last February to curb spiralling farm spending – begin to bite. But France arguably faces the most difficult problem of adjustment over the next few years, for one overriding reason: the country still has seven per cent of its active working population engaged in farming, but if it is to maintain its role as the Community's premier agricultural producer and exporter, officials believe that as many as half may have to leave full-time farming over the next decade.

One recent study estimates that the numbers of full time farmers could fall to around 260,000 compared to today's 700,000, while some 5-6m hectares of France's 30m hectares of agricultural land could be in serious danger of "desertification" as farmers leave it. As one senior official put it, "that could mean the sort of restructuring of the countryside and rural life which goes far beyond anything which we have seen in Europe in this century."

Not surprisingly, the situation is one which is preoccupying the new Socialist Agriculture Minister, Henri Nallet, and his officials.

The impending crisis which these estimates, published in 1986, portend has not suddenly been discovered. But partly because of the preoccupation of the French agricultural establishment with negotiating last February's reforms to the common agricultural policy and coping with the reaction of farmers to this settlement; and partly because of the previous conservative government's desire not to prejudice last May's election, the longer-term problems are only now becoming a matter of public debate.

As one of Mr Nallet's closest advisers put it earlier this month: "We now have the right to talk about these problems for the first time." It seems, however, that the debate about possible solutions has only just begun. The background to the potential crisis is part demographic, part cultural and part economic. Well over half of France's farmers are over 50: many would retire over the next decade in any case, while many have no actual or willing successors. But their exodus seems certain to be hastened because the viability of the smaller and more marginal farms, in particular, (average farm-size in France is still under 30 hectares) is being increasingly affected by reforms of the common agricultural policy.

It is too early to tell the precise effect of the February reforms, if only because the package agreed by EC leaders is designed to last four years. Essentially it sets limits to the production of supported commodities which, when exceeded, trigger price reductions to farmers, generally in the subsequent season.

French officials calculate that across the board the package will mean real price reductions of between 10-14 per cent over the next three years or so, a figure which must be added to a ten per cent decline over the past four years.

Farmers throughout France are beginning to feel the pinch, despite a good cereal harvest. (This could help the EC as a whole exceed the production limit for cereals of 160m tonnes, thus triggering price reductions next year).

However, those at risk include farmers on poorer land, and those on better land who borrowed heavily to fund expansion in the palmier days of the late 1970s and early 1980s. They are already finding margins severely squeezed. Farmers most at risk of leaving farming altogether paradoxically appear not to be those in the most mountainous areas, where the CAP provides important, part social support but those in more marginal regions like the periphery of the Massif Central or in marginal areas of the agriculturally poorer west of the country.

On the other hand, however, much-needed *structural reform* of French farming, which could increase the efficiency of the important numbers of farmers who remain on the land, as well as make French farming more competitive in the run up to the single European market in 1992, is being inhibited by what one senior official terms the cultural factor.

French agriculture has traditionally been highly protected, and subject to centralised controls ranging from high land taxes to rules limiting farm size and credit. These elements have lived on for the last 30 years within the almost equally protectionist womb of the CAP and have broadly served French interests well.

France's richer farming areas, like the Paris Basin where cereal farmers are among the world's most efficient, have been beneficiaries of French and CAP protectionism. But domestic controls are now, officials believe, impeding progress, whether it be the creation of larger, more efficient farms or the competivity of French farm products within the enlarged EC and in wider world markets.

Mr Nallet has been Agriculture minister for a bare four months. An agricultural economist by training, he has come late to politics,and although he was briefly minister of agriculture in the mid-1980s, he is apparently not a man who believes easy or rapid solutions to the impending farm crisis are possible.

So far, he has publicly called for a halt to CAP reform while farmers digest its consequences (this is happening anyway, since few member-states have the stomach for any more reform just now) and for a more coherent programme for rural development, as distinct from purely agricultural measures, from the Commission in Brussels.

According to close advisers, Mr Nallet would like to agree with France's powerful farmers organisations' concerning far-reaching reform of the country's protectionist structures. These would range from *the substantial reduction in* taxes now imposed on farmers and their land (which can for example amount to more than 5 per cent of the value of a tonne of wheat); to the laws of "cumul" which limit the size of farms and regulate who may exercise the profession of farmer;as well as to those which limit access of the important cooperative sector to financial markets.

The minister is believed to be disappointed so far at the major unions' conservative, foot-dragging reaction, which is said to compare unfavourably with their leading role in easing the transition to EC membership, 30 years ago.

Mr Nallet, and the Socialist Government behind him, have yet to reveal their hand publicly on the way they hope to cope with the broader social and political problems which could arise from the threatened large scale exodus from the land over the next decade.

Mr Nallet takes over with a relatively clear slate, in that his predecessor, François Guillaume,(*a former President of* the FNSEA farmers union and thus, in a sense, poacher-turned-gamekeeper), *was the one* who actually put through the unpopular February reforms.

France is some way behind Britain in applying many of the measures which have been devised in Brussels to soften the blow of the CAP reforms. It has been dragging its feet on the scheme to pay farmers to set aside land from arable production, while it has no equivalent scheme to that being run experimentally in Britain for more environmentally sensitive – and thus less intensive – farming.

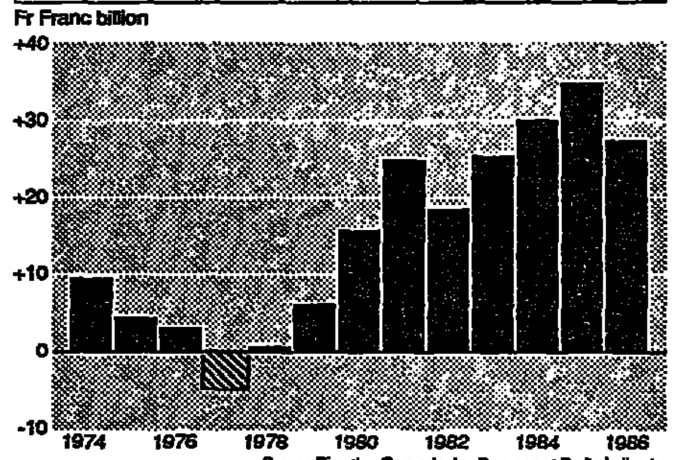
France has taken some advantage of schemes to pension farmers off early, but, like Britain, is not keen on the payment of controversial direct income aids to farmers, principally on the grounds that this could "freeze" small sized, inefficient farms. Some use has been made, mainly at regional level, of aids to help farmers diversify into non-farming activities like rural crafts or tourism, though this is recognised throughout the EC as at best a palliative, not a panacea.

Neither is it yet clear what Mr Nallet has in mind by calling for more comprehensive ideas for rural development from the EC Commission, which earlier this summer produced new papers on the environment, on forestry and on the rural economy. These could certainly *provide a basis* for new proposals for the development of rural reas as a *whole, which must surely be* the direction in which solutions to the problems of France's more marginal agriculture must be sought.

□ Shares of EC agricultural production, 1985, in ECUm: France, 26.0; Italy 20.9; West Germany, 17.1; UK, 12.3, Netherlands, 8.6; Greece, 5.0; Denmark, 4.2; Belgium-Luxembourg, 3.5; Ireland, 2.4.

Agricultural trade balance

Fr Franc billion



Source:Direction Generale des Douanes et Droits Indirects.

Collaboration in aerospace projects

■ Continued from facing page:

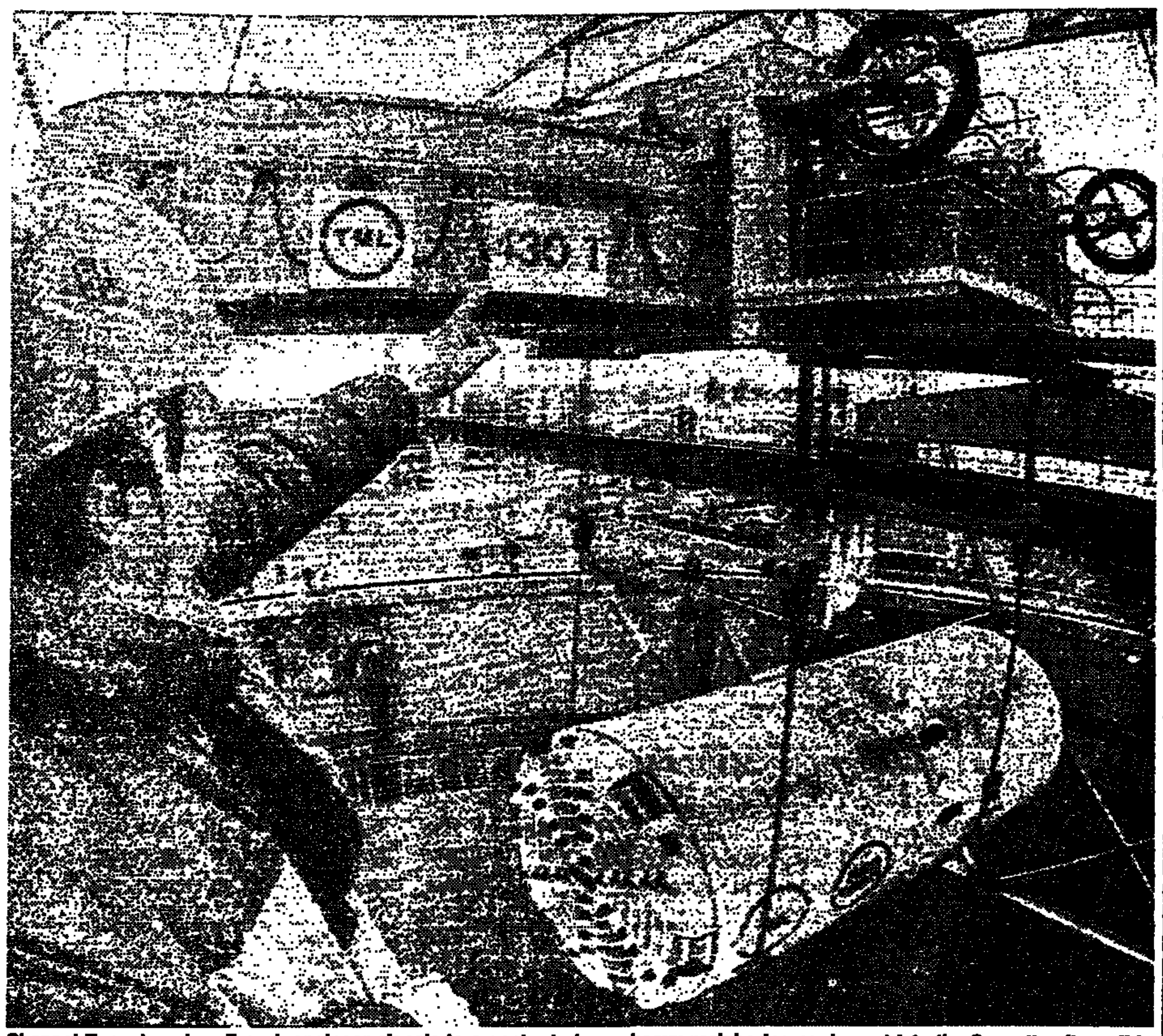
and A-340 Airbus programme. Airbus now expects to gain more than 30 per cent of the market for new civil aircraft between *now and* the year 2006.

Aerospatiale, which has *adopted an active collaboration* policy with other major European partners in both its defence and civil activities, is now also increasingly keen to *forge transatlantic collaboration* links.

It is particularly favourable to eventual collaboration between Airbus and McDonnell Douglas of the US. Aerospatiale believes that collaboration with McDonnell Douglas would enable Airbus and McDonnell to compete against Boeing's long-term ambitions *to monopolise* the civil aircraft market.

The French group is now also lobbying hard to develop broad international collaboration on new generation supersonic and hypersonic aircraft.

Paul Betts



Channel Tunnel work: a French engineer signals to a gantry to lower heavy rock-boring equipment into the Sangatte site well in France for excavation of the 'Chunnel' underground cross-Channel link between France and Britain.

France aims to lead the way in the new European rail system

High-speed network planned

WITH ITS new high-speed trains, the Trains à Grande Vitesse (TGV), France expects to play a dominant role in the revival of railways in Europe in the coming years.

The increasing problems of European air traffic as a result of the congestion of European air space has made improved high-speed train technology increasingly attractive. And France, which has already developed a network of high-speed trains, is now pressing hard to encourage the construction of networks linking major European capitals by such trains.

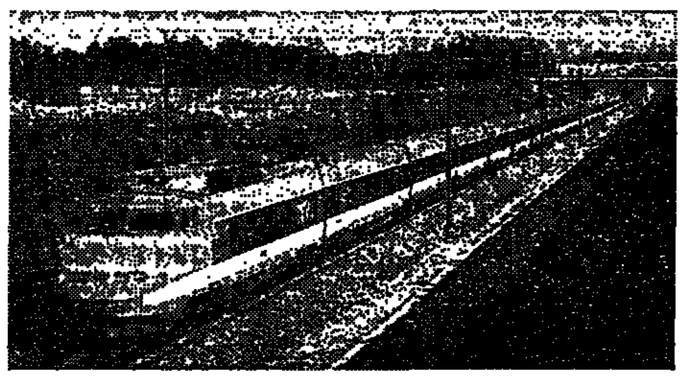
The TGV services linking Paris to Lyon and now also Marseilles and Nice in the south and Grenoble in the east, have already had a major impact on French transport habits.

The TGV service has especially hit domestic air travel between Paris and Lyon and forced Air Inter, the domestic airline, to consider expanding outside France to develop new markets to meet the twin challenge of airline deregulation and the development of high-speed trains.

The French government has now launched an ambitious new programme known as the TGV Atlantique to build a high-speed train network linking Paris and western France and eventually Spain.

Work has already started on this project, which will be followed by an even more ambitious programme to build a high-speed network linking Paris to London through the Channel Tunnel as well as Brussels and eventually Amsterdam and Cologne.

Indeed, both the Eurotunnel consortium and the French government have long argued that a high-speed train service between London and Paris will become one of the key factors to ensure the success of the Channel Tunnel, due to open in 1993. At the same time, the service passing through the new tunnel will form part of a much broader future European fast rail system which is likely to have important implications for travel in the future in Europe.



New French trains: leading a revival of European railways.

The Government's commitment to the development of high-speed rail transport has also acted as a major support for the French railway manufacturing industry which is now concentrated around the Alsthom group, the heavy engineering subsidiary of the privatised Compagnie Generale d'Electricite (CGE).

This year, Alsthom absorbed the railway activities of the private French Jeumont-Schneider group and is also taking control of the railway operations of Belgium's Ateliers de Construction Electromecanique de Charleroi (ACEC). These operations have turned Alsthom into the world's biggest producer of railway equipment.

Alsthom is currently building 95 trainsets for the TGV Atlantique which will service western France at speeds of 300 km/h, starting in 1992.

Alsthom is also expecting to play a significant role in providing the rolling stock requirements for the TGV Nord which will service the Channel Tunnel and Belgium. These requirements are estimated at more than 160 trainsets of which Alsthom currently expects to build about 100.

The French group is also actively seeking to promote the development of the TGV technology outside Europe, especially in the North American continent. For this reason, it recently joined forces with Bombardier, the Canadian group which is the leading North American company in this market, to promote the TGV in North America.

In Europe, Alsthom is hoping to clinch a huge contract for the renewal of the Spanish railways against stiff Japanese and West German competition.

France has also continued to make important technological inroads in the field of urban transport. Matra, the French diversified electronics group, has won an increasing number of export contracts to supply its new VAL automated urban transport railway network which it is already supplying to a number of French cities.

Chicago's O'Hare Airport and Taiwan are both planning to adopt the VAL system and other cities in the US are looking at the Matra technology.

But though France is at the forefront of railway and transport technology, the French state railways system SNCF also continues to pose a major dilemma for the Government. Apart from a series of rail accidents which have raised once again the question of improving safety, the SNCF must now face major restructuring with the reduction of about 10,000 jobs a year and the target of returning in the black next year.

At the same time, the SNCF and its recently-appointed new chairman, Mr Jacques Fournier, also must address the key issue of adapting the company to the requirement of modern and high-speed rail travel with all the implications this will have on existing labour regulations and contracts.

Airline transport too faces major challenges in France in coming years. Already the process of airline deregulation is beginning to bite on the national airline Air France, the private French long-haul carrier UTA and the domestic airline Air Inter.

All three want to develop new services to enhance their competitive position in the new deregulated airline environment with UTA wanting to extend its flights to the US much to the objection of Air France and Air Inter starting to offer services outside the national territory.

Paul Betts

Link-up between the space and telecommunication industries

Forging new alliances in technology

THE telecommunications industry in France – a strategic industrial sector in which France has made a number of technological breakthroughs – has been caught by the growing tide of deregulation and telecommunications liberalisation.

But while acknowledging that this process of deregulation cannot be halted, the new minority Socialist government has adopted from the very start an extremely cautious approach to the deregulation of French telecommunications.

In sharp contrast to the previous right-wing government's zealous commitment to deregulation and liberalisation of telecommunications, Mr Paul Quiles, the Socialist Telecommunications Minister, has made it clear that his priority would be to strengthen and modernise France's public telecommunications services.

Although the new government does not plan to cancel the decisions of the previous conservative administration to open up to competition some sectors of French telecommunications such as value-added voice and data networks, Mr Quiles said in his first major policy speech that he would be very careful before liberalising new areas.

This was to avoid the risk of undermining the sector and the quality of service as well as weakening France's international competitive position in this sector.

Indeed, he argued that it was important to reinforce France's competitiveness in telecommunications by strengthening and modernising the public service.

France is now seeking to capitalise on many of the important technological developments of its telecommunications industry, including the increasingly successful and widely-used Minitel videotext terminal, its electronic directory, car telephones and other enhanced telecommunications services.

The French telecommunications authority, renamed France Telecom 12 months ago, is already planning to set up with the West German Bundespost a joint subsidiary to offer new value-added telecommunications services as part of general efforts to develop stronger bilateral and multilateral ties with other telecommunications authorities and operators.

In parallel, the French telecommunications equipment manufacturers have also been engaged in major rationalisation and development programmes involving significant international alliances; and in the case of Alcatel, the Compagnie Generale d'Electricite (CGE) telecommunications subsidiary, the landmark acquisition of ITT's telecommunications assets.

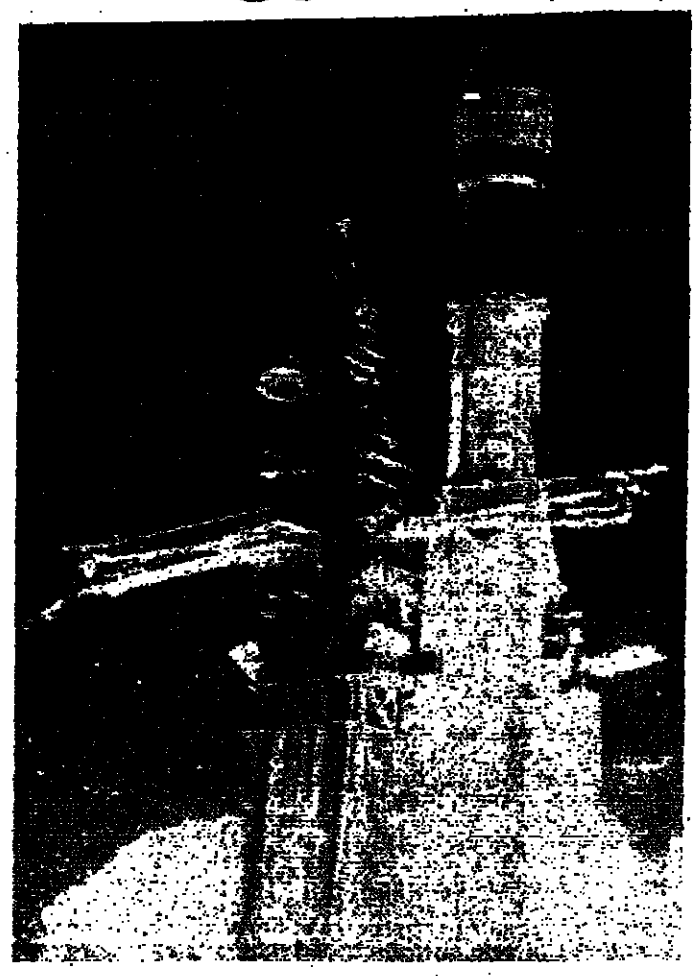
The new Socialist government has also linked the strategic French space industry with the telecommunications ministry. The move in part reflects the increasing role of satellite transmission but also the beginning of industrialisation on a broad scale of the European and French space programmes.

Indeed, France Telecom is also expected to assume a major role in the controversial and costly French TDF direct broadcasting satellite programme.

France Telecom is due to take a stake in TDF, the state-owned broadcasting company responsible for the direct broadcasting satellite programme, thus giving it control of all France's satellite programmes.

The first of the two TDF satellites is scheduled to be launched by the European Ariane rocket in October but the Government has yet to resolve the problem of financing the second satellite.

Although the TDF programme, which has already cost the French Government about FFr 2bn in public funds, is expected to go ahead, it has been the source of considerable political controversy. The controversy has not been helped by the failure this year of the West German TVSat direct broadcasting satellite, which again raised questions over the French technological choice of a high-power satellite.



The first of the two satellites for TDF — the state-owned broadcasting company responsible for the costly and politically controversial direct broadcasting satellite programme — will be launched by the European space rocket, Ariane, in October. Above: in an earlier launch, Ariane streaks into the sky carrying two other telecommunication satellites. The TDF programme has already cost FFr2bn in public funds.

The TDF and TVSat programmes were originally launched ten years ago as part of the broad Franco-German collaboration policy of former President Valery Giscard d'Estaing.

Despite the continuing doubts over the TDF direct broadcasting satellite, the French government believes the satellite, which will broadcast the new French European cultural channel known as La Sept, will give a boost to the European D2Mac high-definition television standard.

The French television manufacturing industry, including the state-controlled Thomson group, has lobbied hard for the D2Mac standard which it regards as crucial for the future of the European consumer electronics industry in its battle against Japanese and other Far East manufacturers.

The launch of the French direct broadcasting satellite will also mark the climax of a period of major change and turbulence in the French broadcasting sector. This follows the deregulation of television broadcasting first started by the left and then accelerated by the previous right-wing government of Mr Jacques Chirac with the privatisation of TF-1, France's largest and oldest national television network.

Apart from the privatised TF-1, there are now two other independent networks including La Cinq and M6 with the state retaining ownership in two other networks, Antenne 2 and FR 3.

Moreover, the Canal Plus pay television network launched a few years ago has been gaining in strength and profitability and has been actively forging international alliances to consolidate its future development.

Paul Betts

A significant turning point

Continued from Page 1

deep ambivalence of the previous two years of "cohabitation", in which the socialist president had to work side-by-side with the Gaullist prime minister.

In practice, the natural frictions of cohabitation did not prevent effective government; it did not even prevent satisfactory government from the point of view of the Gaullists.

Mr Chirac was obliged to conform with the over-riding imperatives of President Mitterrand in the fields of defence and foreign policy; but by 1986, his views and those of his Gaullist party were already converging towards those of the President. And in domestic politics, there were few occasions on which the Government's aims were seriously frustrated by the President; the only major issues on which the Government gave way, were those where it was forced to surrender by pressures of popular protest, as with its plans for the reform of higher education, the tightening of the nationality laws, or the slimming of the social security system.

Nevertheless, the cohabitation of political opposites was bound to be a short-term expedient, fundamentally at variance with the implications of the Gaullist constitution. And yet, paradoxically, the logical consequence of the presidential election and the ensuing general election has been to underline the (un-Gaullist) fact that, if the Fifth Republic was designed with a Presidential bias, in future a President is increasingly likely to have to share power with a parliamentary system in which large, well-disciplined parties will increasingly hold a dominant position.

For the moment, this transition is only partial. The Socialist Party has acquired the leading position on the left, at the expense of the Communist Party; but it has not yet captured much more than a third of the popular vote.

The Gaullist RPR is still the largest, best disciplined single party on the right, but it has lost ground, and its former domina nce is obviously threatened.

In the middle is the newly-autonomous Centrist CDS party; the question is whether it will become a buttress for the Rocard Government, or be squeezed between left and right. The message of the election may be that France wants to be governed from the centre, but the constellation of the political parties will make the art of government a difficult balancing act.

For a while, the Rocard Government is likely to enjoy a honeymoon, partly because of its success in restoring peace to New Caledonia, but more because of the unexpected buoyancy of the economy: this will make it easier to stick to a prudent budgetary policy while at the same time carrying out President Mitterrand's commitments to a minimum guaranteed income and higher spending on education and research.

Difficult challenges lie ahead in the medium term, however, and they can be summed up in two words: Unemployment and Europe.

For at least the next ten years, unlike other European countries, France faces a steady increase in the size of its working population. As a result, it is also alone in facing the probability of a continuing large increase in unemployment.

One recent study predicts that French unemployment will rise from 10.5 per cent now to 13.5 per cent in 1995 and nearly 16 per cent in the year 2000.

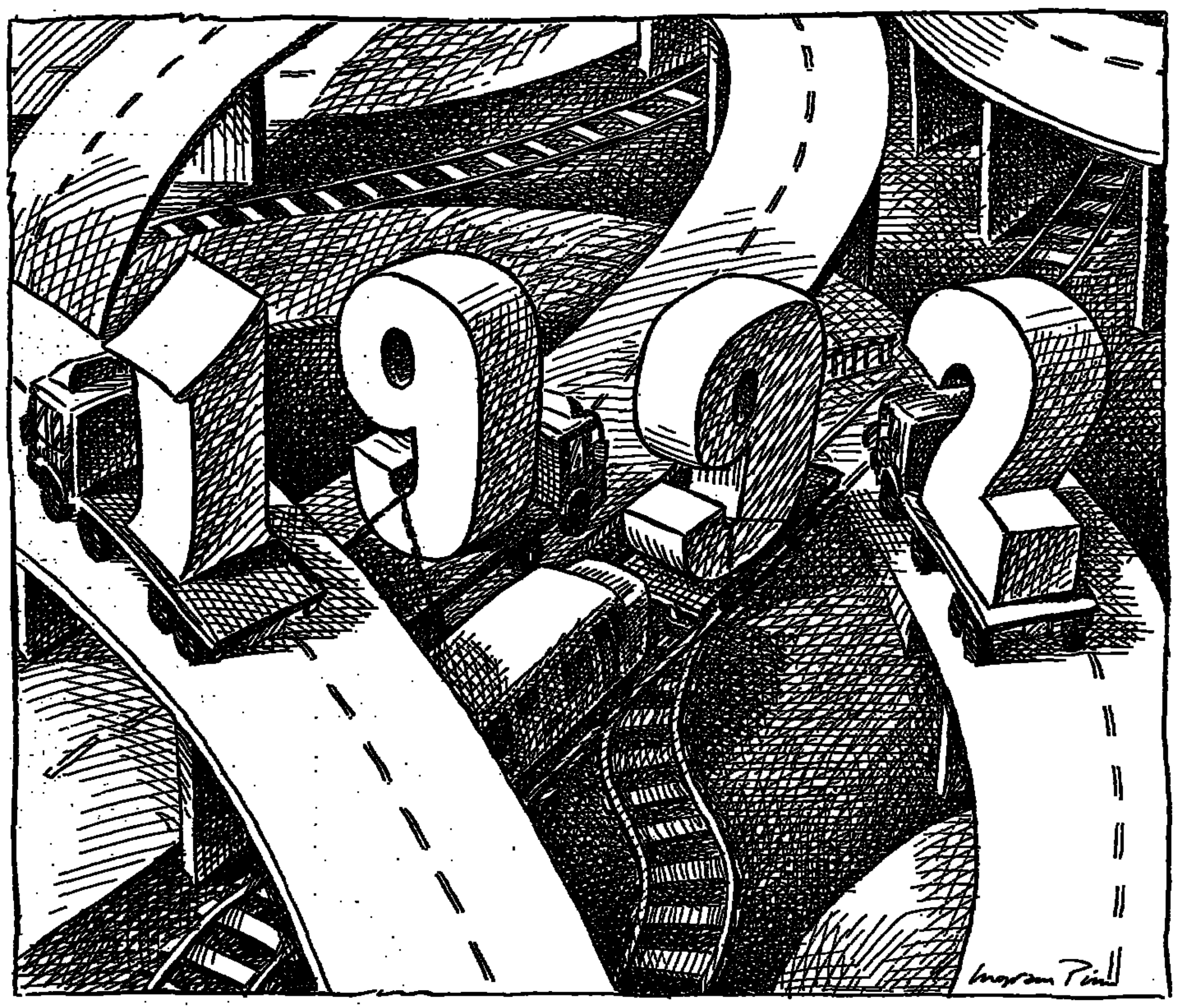
Faster economic growth, or the opening up of the European market, may help to create jobs. But if not, the rise in unemployment is likely to exert acute pressures on a Government which manifestly does not claim to have any magic answers.

The unemployment dilemma is intimately related to the European issue. President Mitterrand, and his new Government, are absolutely committed to the opening up of the European market. But the structural adjustment which has had to follow the two oil shocks has caused substantial job losses in old industries in France, as in other countries, and it is a fair bet that more intense competition in a Europe-wide market will add to the pressure.

In the Presidential election campaign, the protest vote captured by Jean-Marie Le Pen obviously included a significant slice of those who felt the European community has served them badly. The further opening up of the European Community could well intensify such pressures, unless the government is both very skilful and very lucky. Mr Rocard has waited a long time for his promotion; his talents for toughness and compromise will now be put to the test.

SECTION III

FINANCIAL TIMES SURVEY



Distribution Services

Despite the Prime Minister's recent remarks, the EC is on course to create a single market in the 1990s with far-reaching implications for the distribution industry. But the new business opportunities will have to be seized. **Kevin Brown,** Transport Correspondent, reports

Boarding the 1992 express

THE BRITISH have long been regarded by the rest of the European Community as reluctant Europeans, and the Prime Minister's recent hostile remarks will have offered little reassurance that attitudes are changing.

But it is increasingly becoming clear that European integration is proceedingly rapidly and irreversibly at the practical level of business and industry.

The key is the Single European Act, ratified by all 12 member states, which explicitly commits the Community to "adopt measures with the aim of progressively establishing the internal market over a period expiring on 31 December, 1992."

The Act further defines the single market as "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured."

The effect of this amendment to the Treaty of Rome, which is part of the constitution of the Community, is that the abolition of frontier controls and artificial restraints on movement is inevitable, even if the process is not completed by the 1992 deadline.

There could hardly be a constitutional amendment more tailored to the British distribution industry, which has thrived in the relatively deregulated UK transport market.

But it is still not clear whether the industry sees the opening up of European borders, and the creation of an internal market of 320m consumers, as an opportunity or a threat. More seriously, some transport companies seem to have taken few steps to identify the implications.

A recent survey by the specialist publication Motor Transport revealed that although 89 per cent of companies operating 26 vehicles or more had heard about the single market, 79 per cent had not appointed a manager to plan their response.

The survey indicated that 68 per cent of the 241 operators contacted had considered the impact of the liberalised market, although there are doubts about the thoroughness of much of this analysis.

One distribution director, for example, is reliably reported to have asked his secretary to "find out about Europe" while he took his annual holiday.

There was further illumination in the Motor Transport survey: 62 per cent of companies thought the single market would be an opportunity, and only 11 per cent thought it would be a threat.

But while 60 per cent thought it would mean more business, and only 9 per cent were expecting less business, many said they thought international activities would be more costly and less profitable.

This is not the view of experts such as Dr James Cooper, the NCCS Reader in Freight Transport and Distribution at the Polytechnic of Central London.

Dr Cooper says he is cautiously optimistic about the prospects for the UK distribution industry in Europe, for three reasons:-

- Distribution within Europe needs to be rationalised, and UK operators are experienced in constructing efficient systems of the kind that will be needed.
- The UK industry is used to the kind of competition that will exist after 1992, while many Continental countries are only just beginning the process of deregulation.
- Attitudes towards 1992 within UK industry are changing rapidly, and a surge of planning is likely to take place.

Dr Cooper says research carried out earlier this year by the polytechnic's Transport Studies Group identified a major mismatch between production and distribution activities in the EC.

According to this research, manufacturers are increasingly seeing the Community as a single market in both production and marketing terms, leading to the development of single sourcing and largely undifferentiated product lines.

But the distribution of products remains, on the whole, highly fragmentary. International movements are often handled on a general haulage basis, and each country has separate arrangements for domestic distribution.

Dr Cooper points out that the administrative cost of keeping track of a vast number of transport operators and distributors throughout Europe must be enormous.

For many users of freight services, 1992 will be the spur to rationalisation of Europe-wide distribution systems, which will be made easier by deregulation in both international and domestic markets in the intervening period.

When this happens, UK companies will be better placed than most to take advantage because they have nearly 20 years of experience of domestic transport regulation, in contrast to the rigid controls of some other Community countries.

UK operators are used to working in an environment where there are no capacity quotas to limit competition or tariffs to set prices, but it will take European competitors time to adjust to deregulation.

Dr Cooper says British industry took 10 years to respond fully to the challenges of domestic deregulation, which were introduced by the 1968 Transport Act.

The effects of the 1968 offer a further reason to believe that UK companies will benefit from the opportunities of the single market, whatever their fears may be now.

There was widespread concern before 1968 that excessive competition would drive down returns, and lead to wave of bankruptcies. But Government figures show that this did not happen: the number of operators reached 140,000 between 1972 and 1975, and is now steady at around 130,000, having survived the recession of the early 1980s.

Awareness of the impending single market has increased dramatically over the last few months as a result of publicity campaigns by the freight trade associations and the Trade and Industry Department (which operates a free information hotline - aptly available on 01 200 1992.)

As the issues crystallise, they are also prompting an increasing number of business conferences - the next will take place at the Transport and Distribution Services Show at Wembley Conference Centre later this week.

But it would be wrong to suggest that penetrating the expanded market will be easy, and there are several issues which need careful consideration by British industry:-

- Doubts about the extent to which West Germany - the biggest single market and the hub of European industry - will relax its strict regulation of transport. In the absence of liberalisation, UK operators would have access to the market, but might have to pay up to £100,000 for a licence for each vehicle operated.
- The likelihood that rail will play an increasingly important part in Europe's transport system in the 1990s, largely because of the predisposition towards rail in most Continental countries.
- Continued uncertainty about the details of the regime under which companies will operate after 1992.

After much argument a deal has been finally struck which will abolish bilateral quotas. But it is not yet clear how vehicle taxation provisions will be harmonised to ensure fair competition.

Member states have also been unable to reach agreement on either of two proposals put forward by the European Commission which would allow for limited cabotage - *carriage of goods within a* country by an operator based in another country.

However, the Community is obliged by Article 75 of the Treaty of Rome to make regulations allowing cabotage, so there is still some hope that a deal will be done in time for 1992.

The other issue of importance to UK transport companies is vehicle weights - the UK is alone among EC states in sticking to a limit of 38 tonnes, rather than 40 tonnes.

There is substantial opposition to the higher weight within the UK, but the change could be implemented quickly, without the need for much new equipment, once a political decision to go ahead has been made.

Meanwhile, there is growing evidence that UK-based companies are waking up to the opportunities of 1992 and planning how to take advantage of them.

There have been several recent acquisitions of existing distribution companies within Europe by companies such as Christian Salvesen, Bunzl, and TNT, the Australian-owned multinational.

There is also no shortage of vision: Mr Paul Carvell general manager of sales and marketing for TNT Contract Services says he envisages the creation of European Distribution Centres of up to 1m sq ft which would make many regional operations obsolete.

Swift Transport Services, part of the LEP Group, says it is developing a pan-European distribution network in conjunction with LEP-Swift, a sister company formed to handle the parent company's Continental distribution requirements.

Mr Bill Shiplee, head of acquisitions policy for United Transport International, the transport subsidiary of BET, says there is plenty of scope for UK companies to expand by taking over Continental companies.

"British purchasers, with their acquisition money, may be seen as saviours by some European companies who lack the capital to expand their business in a substantial way," he says.

CONTENTS

PROFILE: ROCKWOOD HOLDINGS

A new force to be reckoned with

ROCKWOOD HOLDINGS' recent acquisition of two prominent freight forwarding companies highlights the intention of this fast-growing USM-quoted group to develop wide-ranging international and domestic distribution services.

Rockwood was interested in the concept of offering clients a turnkey service, Mr Michael Scorey, Rockwood director, explained. As an example, he cited a US pharmaceuticals manufacturer wanting to distribute 10 tonnes of products throughout Europe. At the moment, such a supplier would probably send a number of smaller batches to most of the individual countries served.

"But we foresee that within the next five to ten years such a supplier will want to deal with just one organisation which can handle not only the shipment of products from the US to Europe, but also the distribution of those goods throughout Europe," Mr Scorey said.

"That means we have got to successfully integrate our freight forwarding businesses with our more established UK distribution operations and then, by means of acquisition and joint venture, cover the whole European market and offer the same sort of services there."

Rockwood came into being in 1986 when three of the present directors, including Mr Scorey and Mr Tom Forrest, chairman and chief executive, took control of components distributor HB Electronics. That original business was subsequently sold on in June this year to Electron House but in the meantime Rockwood had acquired a number of distribution-related companies.

First was Bond's Delivery Services which was bought from Imperial Tobacco in April 1987. Trading under the name Bondelivery, the company specialises in the distribution of high value goods such as wines and spirits and electronic goods to high street and trade outlets. It now has 13 depots in the UK providing over 300,000 sq ft of warehousing, operates some 240 vehicles and has an annual turnover of around £10m.

Four months after acquiring Bond's, Rockwood bought the contract distribution arm of Tate & Lyle and renamed it Rockwood Distribution Services. That move helped establish Rockwood as a force to be reckoned with on the UK distribution scene because it brought to the group an experienced management, including present Rockwood Distribution managing director Mr Tony Stanton, and household name customers such as Watney Mann, Heinz, Lyons Tetley, Nestle and Safeway.

In that context, the company handles the ambient warehousing and distribution of a wide range of products, principally in the grocery and allied sectors, via a network of seven UK depots which between them provide some 500,000 sq ft of warehousing. They are supported by a fleet of some 150 vehicles and about 500 personnel. Annual turnover is currently around £12m.

Rockwood's new vehicle livery was unveiled this month

To further boost market awareness of Rockwood Distribution, the company this month unveiled a striking new corporate identity. Based on a colour scheme which involves using bright yellow and white on a dark grey background, the logo depicts the transfer of a baton between two stylised relay runners and the copyline "Teamwork in Distribution".

Among the latest contracts for Rockwood Distribution is a specialised warehousing and distribution service dedicated to meeting the needs of smaller suppliers and retail giants. Marks & Spencer, Corning Glass, Gilchrist & Soames, Jarrold Printers, Octopus Books and Tigerprint are included among the customers. Supported by M&S and centred on Rockwood's Rugby depot, the service covers any packaged goods except food or hanging garments.

A key feature of the new operation is the use of the latest in information technology. It allows orders to be transmitted electronically from M&S to Rockwood via the Tradanet system for picking and rapid delivery of goods into nominated distribution depots around the UK. The system also looks after order processing, stock availability reporting, stock turn, store and stock summaries and the labelling of goods with M&S specification barcode store labels.

Rockwood is also building up a range of other distribution related operations, in line with what it feels will be a growing market demand for outside contractors to take over more and more of customer companies' non-core activities. In that context, earlier this year it acquired Brooksight International, a company specialising in container recovery, and Leasing Principals, a subsidiary company involved in the contract hire and leasing of cars and light commercial vehicles.

Services currently offered by Rockwood in addition to standard distribution operations now include contract hire, breakbulk and stockholding; telesales and order capture; bar coding and labelling, shrink-wrapping and recartoning; dry bond storage, pallet control, distribution consultancy, fleet management and contract maintenance.

Rockwood's move into international distribution started in June this year with the acquisition of freight forwarding company Walford Meadows. That was followed in September by the announcement that Rockwood planned to acquire prominent UK airfreight forwarder, Mercury Airfreight, (annual turnover for the year ended March 1988 was £76m) for £16.6m and the smaller book, magazine and periodicals forwarding specialist, Dawson Royle & Willan for £413,000. The intention is to integrate these recently-acquired forwarding activities within one company to be known as Rockwood International Freight.

Phillip Hastings

Improved logistics are worth £2bn a year in UK

Tighter management offers big rewards

IMPROVED management of logistics could help UK companies save up to £2bn a year and increase their share of world trade.

Failure to seek such improvement will leave the organisations concerned lagging further and further behind their competitors.

That is the verdict of one of the most recently-published surveys on the subject of logistics produced by international management consultants A T Kearney.

The report points out that lower logistics costs, for example for transport, warehousing and administration, directly boost profits.

At the same time, tighter planning and control of inventories reduces tied-up assets.

Kearney defines logistics as the discipline of managing the supply chain from raw materials sourcing to delivery of the finished product to the final customer, and bases its report on a survey of 500 European companies in six countries.

Almost a quarter of the companies surveyed reported a 15 per cent improvement in logistics productivity when measured against performance at the time of a previous study in 1981.

They also saw an additional 14 per cent achievable by 1991.

Each 10 per cent improvement in the productivity of overall logistics is worth an additional 1.4 points of operating margin to the average European firm's bottom line. Kearney asks: "Can there be any doubt that logistics productivity will remain a priority for the long term?"

Factors which come into play when looking to improve logistics management include:

- Better planning and design of capacity needs to improve utilisation of resources such as facilities and people;
- Focussing of resources on areas where they can have most impact;
- Rationalising the mix of goods and services to eliminate any drains on profitability;
- Identifying and understanding business cycles to improve planning;
- More reliable deliveries to increase satisfaction and loyalty of customers;
- Reduction of lead times to improve market performance and lessen the impact of unexpected developments.

Having initially taken a while to percolate through UK industry, the concept of logistics management is now becoming much more widely understood and accepted.

A sign of that move, for example, is that the organisation representing some 5,000 UK executives involved with distribution activities – formerly known as the Institute for Physical Distribution Management – last year adopted the new identity of the Institute of Logistics and Distribution Management.

This is to reflect the fact that transporting goods is now seen increasingly as just one part of a much broader logistics equation.

Meanwhile, a growing number of companies, particularly in the retail sector, are appointing logistics directors and giving the subject the sort of senior management attention previously reserved for other key areas of activity such as manufacturing and marketing.

Lower logistics costs, such as for warehousing, boost profits

Logistics management is seen as particularly important where international trade is involved.

A significant factor in current thinking generally is the focus on the "just in time" concept of distribution, which allows companies to reduce inventories and the amount of finance tied up in stock.

Before the spread of the just-in time-philosophy, manufacturing was seen as being all about production costs and production variances, whereas now manufacturing performance is being measured increasingly against customer demand.

Confirming that trend, surveys carried out by the institute show that more and more companies regard distribution as an important means of achieving a competitive edge, not only by means of careful cost control but also by establishing and achieving better levels of customer service.

A recent obvious example in the UK is the highly-publicised move by the Next group to introduce a home shopping catalogue which offers customers delivery of goods ordered within 48 hours.

According to a leading distribution industry consultant, Dr Mick Jackson of NFC Consulting Group, UK retailers in general are in fact more advanced in their thinking on the subject of distribution and logistics than most of their suppliers.

Having already taken steps to free space in their retail outlets by holding stocks at consolidation centres, some are now looking at ways of cutting down on those stockholdings as well and relying on faster and more frequent deliveries from their suppliers.

Instead of having a manufacturer deliver one major load into the consolidation centre, say, once a week, they may start asking for partloads to be delivered every day.

At the same time, instead of using the manufacturer's vehicle to make the delivery to the centre, they may want to use some of their own vehicles during periods when they are not being used for moving goods between consolidation centres and the retail outlets, Dr Jackson says.

Manufacturers are now involving themselves more in direct product costing but they are not yet really using DPP (Direct Product Profitability) to manage their supply chain downstream.

If they were, they would use more central warehouses and fewer regional depots than they do at present.

The key to the development of successful distribution activities and overall logistics management is the increasing use of computerised systems, both to manage operations and more particularly to collect information.

Effective use of computer-based technology to fully integrate the distribution process can improve service levels and reduce cost, it is claimed.

The competitive advantage in distribution will come not from optimising it as an independent function but from fully integrating distribution into the operations of an organisation. Information technology should be used in a pro-active way to help meet business objectives, says one distribution industry consultant.

Coupled with a growing acceptance of the idea of logistics management has been an increasing awareness among many companies of the advantages to be gained from concentrating on their basic strengths and contracting out many of the essential functions which they require to maintain their operations.

In such cases, says UK logistics management company EPS, the key is flexibility and control. The logistics organisation assumes responsibility for both the physical and management functions necessary to fulfil the contract, leaving the client company to concentrate on the activities to which it is best suited.

To show how a logistics management organisation can be employed to meet specific requirements, EPS cites a company which might be looking to import pre-built equipment into the UK. Its requirement, therefore, might be to carry out a small amount of product customisation to satisfy UK users.

EPS says that by using a logistics management organisation to control import requirements, goods inwards, checking, physical customisation, re-testing and subsequent repackaging and despatch, it is possible to reduce overheads by a significant proportion – while retaining the ability to replace the existing product range with a new one at short notice, and with a minimum of disruption to existing manufacturing lines.

Through a similar process, it would also be possible for the company to follow a policy of just-in-time sourcing, using the facilities of the logistics management organisation to respond quickly to the demands of its own customers.

Phillip Hastings

Express transport services are growing at the rate of 25 per cent a year

'Faster it goes, the better for business'

IN HIS "History of Commerce Between 1500-1800", Fernand Braudel, the French historian, observed: "Transport is a necessary finishing process of production; the faster it goes, the better it is for business".

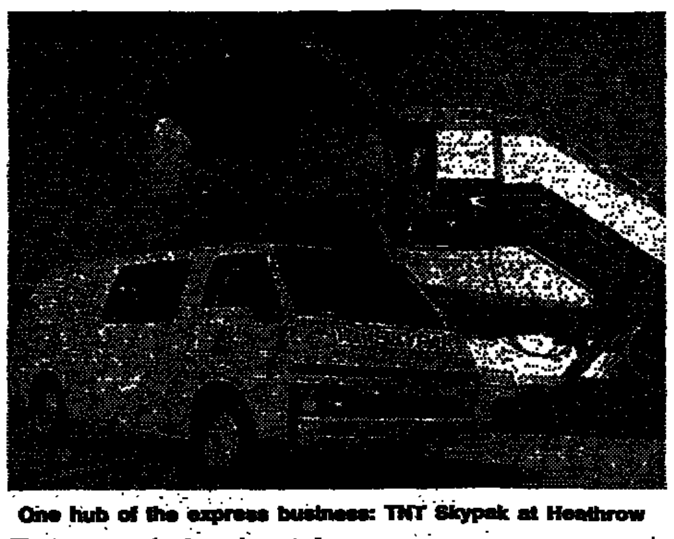
And so it is that changes in distribution theory, and the adoption of new systems, have been welcomed by the express transport specialists many of whom, with experience in the US, have anticipated the changes in Europe and designed their systems to meet the new demands of European distribution.

In its development of sophisticated, computerised systems and operations geared to the fast movement of goods, the express transport industry is growing at a rate of 25 per cent a year and promises by 1992 to create an industry in Europe worth some £2bn, given the inclusion in the calculation of domestic express parcels services as well as European and international specialist distribution services.

The criteria defining an express service is that it must be door-to-door, charge a single, comprehensive rate, and be delivered within a given time frame. For perfection, the movement should also be under the control of one single operator from beginning to end, though only a few companies can fulfil this latter requirement in all instances since it demands the existence of national and international, owner-operated, networks, supported by their own hubs, trucking fleets and aircraft.

In the UK market there is a plethora of domestic, express operators *including companies* such as Lynx, Parceline, City Link, Tuffnells, Interlink and ANC. But forward thinking operators can no longer afford to restrict their operations to the UK alone. National express parcel pioneers, City Link and a number of other companies have joined market leaders such as Securicor and TNT in putting their timed, door-to-door services on to a European footing, in order to be prepared for 1992 and the Single European Market.

In Europe the express industry is currently dominated by the giant American-owned companies, DHL, Federal Express and UPS (United Parcels Service) and the large Australian-owned company, TNT.



One hub of the express business: TNT Skypak at Heathrow

These companies have invested heavily in the development of comprehensive, computerised systems and sorting hubs at key centres such as Brussels and Cologne. Both DHL and Fedex have hubs at Brussels airport while UPS hubs at Cologne.

From these bases, the companies span Europe with light aircraft feeder services and direct road links. These in turn, generally feed the companies' own dedicated freighter aircraft services operating nightly across the Atlantic where both Fedex and UPS have their own freighter operations while DHL shares capacity on a Sabena freighter with the Post Office's international express service – EMS.

In developing their timed, door-to-door express services, these companies and several European specialists such as the KLM-owned XP, which operates from a hub at Maastricht airport, are working closely with manufacturers and exporters to improve the efficiency of their distribution systems.

For example, DHL employs the services of distribution and logistics management consultants to ensure the company remains abreast of new distribution techniques and their application. By comparison, traditional transport operators have apparently paid little heed to the needs of their customers and indeed, according to many users, they have worked directly against the distribution needs of their customers.

Comparing the new express operators with the traditional transport services, Mr Geoffrey Walker of Thorn EMI's Distribution Division, notes that one of the key problems with traditional transport services is that their freight rate structure tends to be extremely complicated and often does not include customs clearance and local delivery charges.

"It is not surprising that UK exporters have traditionally sold 'ex-works' or 'FOB'. It can be a minefield trying to determine the through transport costs to the customer. Door-to-door services provide this facility and the practice of pre-payment, is forcing the UK companies to be aware of the distribution costs and to include them in the marketing and pricing of their products," he says.

The advent of express services has assisted companies such as Thorn EMI in switching to new distribution techniques. They have enabled Thorn, for example, to concentrate its stock in a smaller number of locations and thus improve customer service. "The days of regional warehouses and local delivery fleets are clearly numbered in many parts of the Thorn Group, Mr Walker says.

A typical case where the use of the express service has directly improved the quality and speed of Thorn's distribution is in the company's Musical Division. "We are able to receive orders now, up to 4.30pm and still provide a next morning, delivery service from our only stock-holding point in Hayes, to most parts of the UK," Mr Walker says.

The deregulation planned in Europe by 1992 and its effects on manufacturing and trade is expected to give rise to a rapid *growth in international* express transport services. But the European Commission estimates that there are in excess of 300 different measures of transport legislation to be agreed and ratified for the 1992 liberalisation to become a reality.

With only four years to go, there remain many problems to be overcome before the barriers are lowered completely. Solutions to the most important of these lie with Government agencies such as customs which, in many instances, have yet to recognise the demands of the market forces at work.

As Mr Pat Lupo, chief executive of DHL Worldwide Express, observed at a recent conference: "Europe won't truly be open for business until government agencies work to remove the time barriers to trade".

Companies such as DHL and Fedex have developed sophisticated express systems and networks to support same day and next day deliveries, door-to-door within Europe and internationally. But all too often their European efforts are impeded by archaic customs clearance and other transport regulations geared to a past age.

Despite the closeness of 1992, customs has yet to agree to the many submissions and requests for liberalisation and change made by the express industry in Europe in its efforts to make Europe more competitive internationally.

Federal *Express* in the USA, grew out of deregulation. The brain child of Mr Fred Smith, he warned European authorities recently: "In times of substantial economic change, the consequences of erroneous regulation and inflexible trading systems, can be quite severe. Civilisations (such as the formerly successful Mediterranean city states like Venice and Genoa) which failed to adapt to such revolutionary forces, are confined most often to the dustbins of history."

Anne Hunter

RECENT DISRUPTION *of* postal services in the UK has encouraged many more commercial organisations to *look at alternative ways of* moving documents and computer data around the country.

***That has opened up new* opportunities for distribution industry companies, particularly in the express delivery sector, to develop new services or expand existing ones.**

Feltham-based parcels carrier Data Express, for example, is now developing its weekend data collection service for major organisations wishing to move data between their administrative centres and high street outlets or branches as a daily overnight operation.

Operated under the product name Multi-Branch, the new service will *cater for* correspondence and documents as well as computer data. The intention *is that items will be delivered* the morning after collection, except for Saturday collections which will be delivered the following Monday unless a Sunday delivery is specifically requested.

Items will be carried in personalised envopaks. Those originating at customers' head offices or data processing centres will be collected by courier at an agreed time on designated days. To ensure security, access will be restricted to the client's personnel and Data Express couriers.

On collection, the envopaks will be taken to the local Data Express checking centre. From there, the company's sorting and trunking system will be *used to ensure delivery to the* desired location the following morning.

The service is seen as *offering particular advantages* at weekends for customer companies which would normally use postal services to move their computer data etc., but find that restricted weekend postal arrangements do not meet their requirements.

Phillip Hastings

PROFILE: WDS

Strategic move into the general arena

AN ORGANISATION which began life some 60 years ago as a transporter of milk, Wincanton has substantially expanded its activities in recent years to become a major player in UK distribution.

Somerset-based Wincanton Distribution Services now operates from 50 locations, has some 20m cubic feet of ambient and temperature-controlled warehousing, and controls a fleet of 1,250 vehicles from 7.5 to 38 tonnes and 1,300 trailers.

These facilities support four major areas of activity: distribution, removals, fleet management and tanker management.

Other services provided by the company include maintenance management, tachograph chart analysis, transport and distribution consultancy and workshop facilities.

Wincanton Distribution is a part of the £380m annual turnover Wincanton Group, itself a subsidiary of Unigate.

The WDS identity was adopted towards the end of 1987 to replace the long-established name Wincanton Transport and highlight the company's growing involvement with a much broader range of distribution services than just the tanker operations with which the latter was most closely associated.

Mr Chas Lawrence, managing director of WDS, says the name change was really a confirmation of the company's continuing evolution rather than a sign of any sudden change of direction.

"We *took* stock of what we were doing, including the fact that we had at that point some 16.5m cubic feet of ambient and temperature-controlled warehousing, were handling distribution contracts for companies like Boots, and had recently acquired a specialist removals company. And we decided we should have a name which reflected the fact that we had *already moved very much into* the general distribution arena."

Much of the WDS involvement *with distribution centres* on handling products which require some degree of specialist knowledge.

Probably the best known of those operations is its Wincanton Chilled Distribution subsidiary which operates some 230 thermostatically-controlled vehicles and four large transhipment centres at Chippenham, Milton Keynes, Uttoxeter and Brentford, *all of which* have chilled and ambient storage areas.

Mr Chas Lawrence of WDS

The location of those centres was *strategically* planned, Mr Lawrence says, to enable the company to offer a nationwide chilled distribution service to major centres within 12 hours.

Essentially, WCD collects, consolidates, transships and delivers goods which require temperature control, particularly perishable foods. It also also undertakes warehousing and distribution activities.

Customers include both manufacturers and retailers. In the first category, for example, WCD runs a product picking and full distribution operation out of its Milton Keynes depot for Mattessons Walls.

On the retail side, the company uses its full UK depot network to handle the daily distribution of frozen products and sandwiches to some 100 British Home Stores locations.

As an indication of the sort of tight control necessary for such operations, Mr Lawrence points out that all the sandwiches have to be delivered before 11am each working day *to be ready for BHS's* lunch-time customers.

A second growing area of activity for Wincanton Distri*bution Services as a whole* involves general dedicated distribution contracts. Examples include the distribution of food and cooking *products* for manufacturing company CPC based on a 110,000 sq ft warehouse at Manchester.

This summer, WDS won a major contract from Littlewoods for the distribution goods to its new catalogue shops operating under the brand name Index. That operation is centred on a 220,000 sq ft Birmingham warehouse.

The third of the major businesses for WDS involves what it terms specialised distribution, handled by one of the most recent additions to the group, Borehamwood-based Bullens, which is involved *with office and commercial* removals, movement of computers and machines, but also a wide range of other speci*alised* work.

This includes removals for military personnel, transport of equipment for theatrical *companies and items for exhi*bitions, national and regional distribution, crate hire, contract warehouse management *and the growing business of* security waste collection and disposal for customers such as banks.

*Making up the four core dis*tribution businesses for WDS are the primary distribution services run by Cheltenham-*based Santa Fe Express, which* provides dedicated ambient, palletised storage and multi-drop delivery nationwide for regional manufacturers and importers.

A particularly important customer is Embisco, which supplies cones, wafers and similar products to ice cream manufacturers. Santa Fe's job is to collect the products in bulk from the Embisco factory and consolidate them into loads with other compatible products for distribution throughout the UK.

In common with other leading UK distribution service operators, WDS is now looking to expand its presence into Continental Europe.

The company has been discussing at least two acquisitions on the Continent, mainly in the Netherlands, and is also looking at joint venture possibilities with other European organisations. WDS already has one such arrangement with a French distribution company.

Phillip Hastings

PROFILE: CHRISTIAN SALVESEN

Division split to assist expansion

STILL BEST-KNOWN for its involvement in the temperature-controlled food sector, *Edinburgh-based Christian Salvesen Distribution* has built up other distribution activities which now account for some 40 per cent of the company's total business.

There are now five basic areas of non-temperature-controlled service activity. The first involves running centralised distribution operations for major individual retail organisations such as Storehouse and J. Sainsbury.

For Sainsbury, the company also handles distribution of frozen products, as it does for Tesco, Budgen and Safeway. In another development, CSD also recently won the first National Health Service contract for centralised ambient distribution of canned groceries.

Outside the grocery sector, a successful Christmas relief operation for Dixons, the electrical retailer, led to CSD securing a long-term contract for distribution of goods to that company's retail outlets in the *North West of England.*

Another important but separate business for Christian Salvesen in the UK retail sector involves work for Marks and Spencer.

In addition to well-established food distribution services operated by a division of Salvesen called Salserve, the *company is also involved with* the handling of goods such as garments and clothing through another M&S-dedicated division, Salstream.

This company operates three warehouses for M&S, at Inverness, Warrington and Wembley, the largest of which accommodates some 500,000 lines.

In keeping with trends apparent in the UK distribution industry as a whole, CSD has noted an increasing move in recent years towards individual retailer-dedicated operations. Nine of CSD's 18 distribution activity sites in the UK are now in that category.

Second of CSD's growing general distribution and storage businesses involves operating facilities dedicated to individual manufacturers such as United Biscuits, Mattessons Walls and Bowyers.

In some cases Christian Salvesen has taken over the running of manufacturers' own distribution facilities, while in others it has set up operations to meet their requirements.

The acquisition just over a year ago of Stowtime, the Buxton, Derbyshire-based specialist in bonded distribution, helped CSD into a third sector of activity: the handling of drinks, wines and spirits.

In this area, it looks after the bonding and packaging of such products. Another company acquisition in the same business is likely to be announced shortly.

Another general distribution business for CSD involves the handling of bulk dry goods, particularly imports, in loads of one pallet or more. The company's Buxton depot is already handling some of that work and now CSD is set to acquire a further couple of depots to undertake more.

'There is going to be a lot more international trading within Europe after 1992'

The fifth of Christian Salvesen's *non-temperature* controlled activities involves just-in-time distribution of vehicle components and spare parts for motor manufacturers, such as Renault, in Holland, and Mercedes-Benz in the UK and Belgium.

Mr David Howes, managing director of CSD UK, says: "I *think our non-temperature* controlled side will develop rapidly now and we will also go more into added-value services such as washing crates, repacking products and handling special promotional packs – for example, where a company offers a free tape with a book."

The expanding nature of Christian Salvesen's distribution operations was further highlighted in April this year when the group decided to split its large Food Services division into two companies.

All UK and Continental general distribution activities are now handled by CSD, while other businesses such as the Salserve/Salstream operations for M&S, bulk cold storage, vegetable processing and manufacturing operations now come under Christian Salvesen Specialist Services.

An important factor behind the restructuring so far as the distribution side is concerned, Mr Howes says, is the planned creation of the single European Community market in 1992.

"We put all our distribution businesses together because there is going to be a lot more international trading within Europe after 1992 with a resulting increase in synergy between those activities.

"*In fact, we already have* some customers like Nestlé and Unilever which we are dealing with on a multi-national basis."

In addition to multi-national manufacturers, Christian Salvesen has already built up an impressive client list among major Continental retail organisations, particularly for the distribution of frozen and chilled products.

In France, for example, they include Carrefour and Euromarche; in West Germany, Coop, Tengelmann and Aldi; in Belgium, Delhaize and GB Inno; Makro, Albert Heijn and De Boers in the Netherlands; plus Pryca in Spain for which Salvesen handles the distribution of ambient products.

Mr Howes says: "The percentage of our total profits on the distribution side generated by our Continental activities is now about 30 per cent, and that figure will probably go over 50 per cent this year. This compares *with only about five* per cent five years ago."

Outside Europe, Christian Salvesen has also developed a number of operations in the United States.

They include Merchants Refrigerating Company, said to be the fourth largest cold store operator in the US, and *Christian Salvesen Packing* and Marketing, a California-based company specialising in the provision of distribution-related services to fruit growers.

Phillip Hastings

Information technology is the key to identifying wasted resources

Data strengthens networks

THE KEY to greater efficiency in the distribution of goods from point of manufacture to final consumer is the increased use of computer-based information technology.

Warehouse operations are in many cases already extensively computerised. For example, terminals can be fitted to fork-lift trucks and other equipment to allow information to be electronically transmitted between control centres and drivers engaged in storage and retrieval activities. Computer-*based systems are also* widely used to handle stock control and order processing.

At the same time, development of database management systems is making it possible to capture a wealth of information about companies' distribution patterns, drop sizes, order frequencies and seasonalities which has not been possible in the past. That is, in turn, allowing distribution service operators and their customers to identify wasted resources and excessive costs so that new solutions can be found.

Now, with the increasing acceptance of the idea that distribution should be treated as one aspect of a much more broadly-based logistics management operation, covering every company activity, demand is growing for systems which can properly integrate all those different functions.

Adding further urgency to such moves is the increasing adoption of so-called Just-In-Time manufacturing systems. By its very nature, JIT demands that information about delivery requirements and operations be passed easily and rapidly between all the parties involved.

Typical of the sort of advances now being made in distribution industry information technology are recent developments by the Transport Development Group whose 100 or so trading companies include many in the distribution, haulage and storage sectors. One of the latest TDG innovations is a system called MODAS (Modular Order Processing, Despatch And Stock) developed this year by the group's own computer company, Protean Systems.

Written for use on IBM computers, particularly the powerful AS400 model, MODAS has seven basic, interfacing modules to handle order processing, vehicle booking, warehouse management, stock control, despatch, proof of delivery and invoicing.

Features of MODAS include the flexibility of the core package and the fact that the system can be expanded to include other features. One add-on which Protean sees as *having significant potential* is the ability to interface with radio terminals on forklift trucks and other warehouse equipment. MODAS will also be able to interface with warehouse conveyor sorting systems using bar coding to identify individual pallets.

Meanwhile, the National Freight Consortium has taken what it regards as a major step forward in the field of information technology by establishing a managed data network. Due to go live next month within the whole NFC Distribution group, the new system is based on the use of leading UK EDI (Electronic Data Interchange) service, Tradanet.

Dr Mick Jackson, head of NFC Consulting, explains that the new system will give a completely different form of communication. "At the moment, we run what you might call a "star" network centred on our main computers at Bedford. Basically, that means that any customer enquiry received by an NFC depot has to be relayed to Bedford and then the necessary information relayed back from there.

"By using Tradanet we have come up with *a system* which is much more analogous to an ordinary house *ring main*, ie there is a main circuit with spurs running off it. In practise, it means customers can access *our information system*, using their own terminals, through any NFC depot. That will make the whole process *faster and easier.*"

An important feature of the new NFC system, adds Dr Jackson, is the facility to store and forward information. It allows the originator of information to put it in his electronic postbox and send it through instantly via the managed data network to the *receiver's mailbox where it can* remain until required. At present, the sender tends to have to notify the intended receiver that information is on its way or check that the receiver is ready to accept the information.

Still to be generally resolved is just how fast such information needs to be transmitted and who should control the systems. There is, for example, much talk at the moment about developing information systems which can work on a real time basis rather than using batch transmission.

Mr Barry Ellis of Parceline: introducing bar code technology

Mr Marc Bucaille, director business management divisions Europe for multinational data processing service company GSI, questions why companies should bother with batch-based information systems when they could have information at their fingertips using real time operations.

Backing that view, GSI last year launched in the UK a basically real time system called TOLAS. Based on the DEC VAX range of hardware, it already has more than a dozen modules available covering activities such as warehousing, order processing and invoicing, sales analysis, inventory management, financial reporting and budgetting. Other developments in the pipeline include modules to handle purchase analysis, a new integrated warehouse *management system, and packages* for transport analysis and maintenance programmes.

"We perceive we are in the business of supplying systems which will give our customers a competitive advantage in their markets by enabling them to get information very quickly," Mr Bucaille comments.

However, Dr Jackson of NFC Consulting questions just how far most companies really need to go in terms of using real time information technology systems. He believes that in many cases a system which is almost *real time*, a sort of fast batch involving a delay of perhaps only ten seconds, would be quite sufficient.

"If you go on to a genuine "real time" operation then you are looking at a very complicated and expensive system. There must be a question as to whether companies can really afford that when they can get a 'fast batch' system more cheaply," Dr Jackson says.

As far as control of such *systems goes, it* is the major retailers which are increasingly calling the tune, demanding that manufacturers and suppliers fit in with their systems and distribution service operators. Manufacturers, it appears, are still in many cases lagging behind their retailer customers in using information technology to develop direct product costing.

Another distribution sector is very much in the forefront of information technology development are companies involved in express delivery operations. They are making more and more use of computer-based systems to both process and track consignments passing through their hands.

TNT Express, for example, recently announced that it is spending £2m to upgrade computer systems which have already involved investment of over £12m. The new investment is due to give TNT up to 90 per cent more capacity.

Explaining how the system works, Mr Alan Jones, managing director of TNT UK, said that all a customer has to do is telephone a local TNT depot. The delivery order will immediately be keyed in and transmitted through the mainframe which produces *all the necessary* documentation, consignment notes and labels. TNT is also in the process of installing facilities on the premises of its major customers which will allow them, for example, to check POD (proof of delivery) details on their own screens.

To track parcels through their systems, a growing number of express operators are opting to use bar coding methods. Principal advantage of bar coding is that it offers the opportunity to eradicate much of the paperwork associated with express and other distribution operations.

UK parcels carrier, Parceline, is due to bring a £2 million parcels tracking system on line next month which uses bar code technology. Mr Barry Ellis, chief executive of the company, claims that the use of bar coding also helps solve both the problem of limited time available for data capture and the cost of that operation.

Further computer system enhancements envisaged by Parceline over the next couple of years include the introduction of direct data transmission between depots and vehicles, replacing radio communications, and computer controlled collections. With such a development, customer orders telephoned in will be keyed straight into the computer system and the information then electronically transmitted to a collection vehicle.

Meanwhile, Bristol-based Interlink Express is planning to develop its existing parcels tracking system further to *allow instant production of* hard copy details on consignments in response to any customer query.

"At the moment, we can call up on screen details of a delivery consignment note within 20 seconds. The next stage will be to develop the facility to electronically produce a hard copy of that information which can then be sent out straight away to the customer," said Mr Richard Gabriel, chairman and managing director of Interlink.

Phillip Hastings

As Railfreight achieves its best result for a decade

BR explores Eurotunnel traffic potential

SUDDENLY, British Rail's freight sector is the toast of the railway. After years of decline, total carryings are rising again, and the sector is generating substantial profits - up to £46.3m last year, the best result for a decade.

Railfreight was the biggest contributor to BR finances last year (excluding profits from property development) even after deducting an operating loss of £6.2m on the Freightliner intermodal service.

The results represent a remarkable recovery from the trauma of the 1984 coal strike, which cost Railfreight £250m in lost revenue, and led to a total loss on freight activities of £264m in the 15 months to April 1985.

The turn round has been so dramatic that Railfreight is now being targeted as a candidate for early privatisation, which some commentators say could take place almost immediately.

Mr Kenneth Irvine, the author of The Right Lines, an analysis of privatisation options, put this view strongly at a seminar held by the Adam Smith Institute in London last month.

Mr Irvine pointed out that BR has set a precedent for private train operation over its tracks by allowing Foster Yeoman, the aggregates company, to operate its own locomotives and wagons.

This principle could be adapted to allow a privatised Railfreight to rent track time, and possibly train crews, from BR, which would continue to own the infrastructure.

Mr Irvine's ideas are one of three main options for rail privatisation - the others are the sale of the network in one piece, and the creation of around 12 competing companies, as suggested by the Centre for Policy Studies.

Both the Transport Department and the Downing Street Policy Unit are known to be considering options for privatisation, although Sir Robert Reid, the BR chairman, has made clear that he would strongly oppose the break-up of the network.

Meanwhile, much of Railfreight's attention is on the opportunities afforded by the progress of Eurotunnel's plans for a Channel Tunnel to open in 1993.

The tunnel offers huge benefits to BR, by plugging it in to the main European rail network for the first time and greatly increasing cross-Channel rail capacity.

BR is forecasting that it will carry around 7.5m tons of freight through the tunnel in the first year of operation, compared with around 2m tons which went by rail ferry in 1986.

Eurotunnel, which has an obvious commercial interest in BR's success, says the total could be as high as 10m tons, which would be an increase of around 500 per cent.

This sort of potential explains Railfreight managers are spending so much time on planning their response to the tunnel.

Even on the most optimistic estimates, cross-Channel traffic will make up less than 10 per cent of Railfreight operations - but if BR gets its sums right, it will be more profitable than much of the corporation's more traditional business.

BR has been criticised by Eurotunnel for allegedly failing to address the problems which could be faced in transporting freight from the North and Midlands around London.

Mr Alastair Morton, Eurotunnel chairman, says metropolitan congestion could be a serious constraint on freight capacity, and has argued for a new line to Kent along a route from Birmingham through Oxford, Reading, and Guildford.

However, the criticism is dismissed by Mr John Welsby, BR's director for international traffic, who says: "We are used to people being experts on our system, but we do not perceive that we have a problem getting round London with freight."

Mr Welsby says Railfreight's customers have no interest in the route their wagons take, or the speed at which they travel, as long as they arrive where they are supposed at the advertised time.

"The real consideration which affects the freight business is BR's ability to provide a level of service to manufacturers and distribution companies which is reliable, high quality and on time.

"That is crucial. Whether we arrive at our destination point an hour or two later (than is theoretically possible) is a matter of some indifference to them.

"You are talking about the inventory costs of holding stock for an extra two hours, and that is peanuts compared to the importance of reliable transport."

BR has started the process of preparing for the tunnel by amalgamating its Freightliner operation with Speedlink - a network of timetabled trains serving 10 major terminals from well over 120 railheads.

This will allow BR to run mixed trains, including containers, swap bodies, flat bed waggons, or whatever customers require, on regular scheduled runs.

Meanwhile, the corporation has commissioned a series of market surveys, in conjunction with the French, Belgian and West German railways, to identify probable traffic flows.

Two studies - into the automotive industry and the steel and chemical industries are already under way, and a third - into smaller markets between the UK and West Germany, is nearing completion. Further studies are to be commissioned later into smaller markets between the UK and other Continental countries.

Separately, BR has commissioned studies into the short-sea market, trends in cross-Channel and international road haulage costs and prices, and bulk freight opportunities.

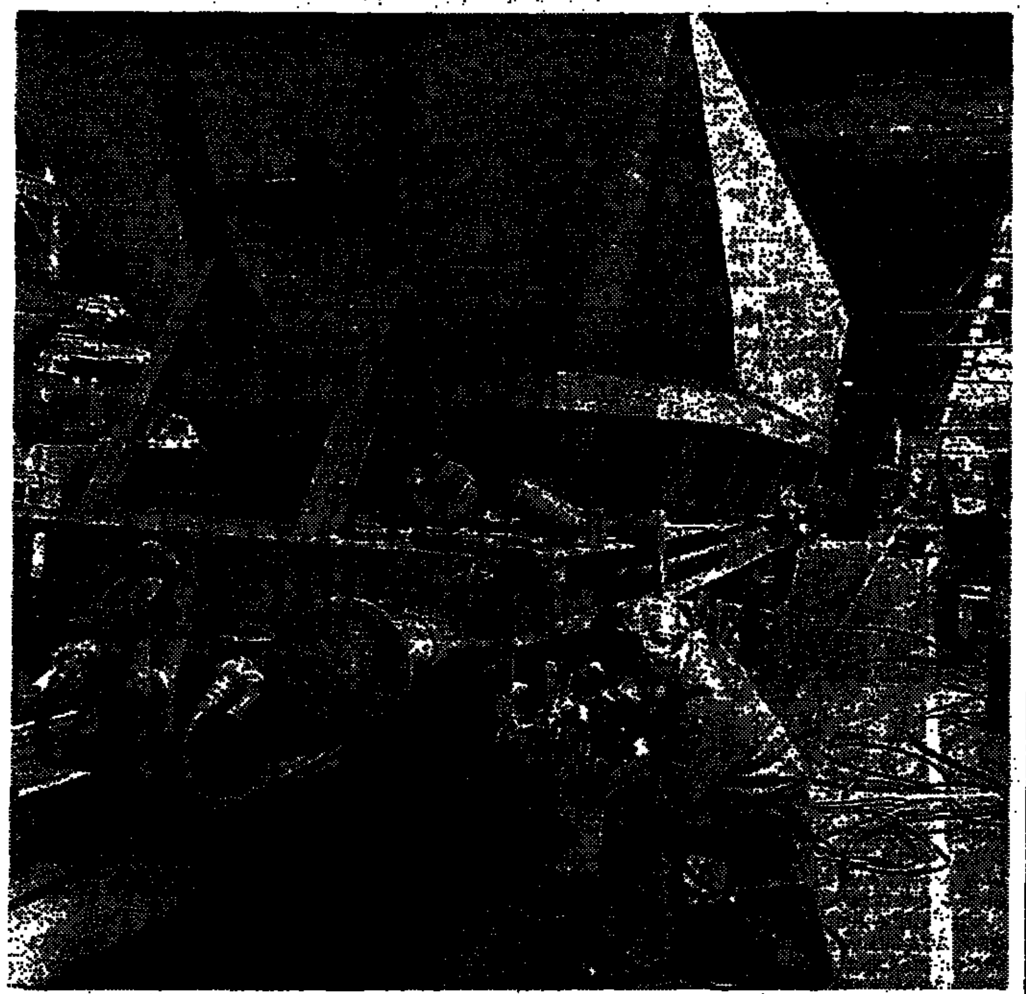
The three main railways involved in Channel tunnel planning have agreed on a three-stage approach to scheduling, which will start by concentrating all traffic between the UK and each Continental region along a single route.

The second stage will be to produce outline timings for different levels of service frequency. This will depend on the traffic mix, demand, and other factors, but the aim is that most trainloads will be delivered within 24 hours, with a one, two or three day timetable for waggonload traffic, depending on distance.

The final stage will be a decision on the precise routing and timing of services, once a clear mixture of demand and capacity has emerged.

BR also has high hopes that its TOPS computer tracking system will be fully linked to the equivalent Continental systems by the time the tunnel opens, and that it will be able to track individual consignments, as well as waggons.

Kevin Brown



In greater demand: a freight waggon under construction at BR's Doncaster workshops

PROFILE: OSTRA

French group with an eye on UK

ENTHUSIASTIC TALK among UK distribution companies about the new business opportunities likely to open up for them in Continental Europe during the 1990s is tending to overshadow the fact that establishment of a single internal market will create a two-way door.

For every UK company eyeing the European distribution market, there is a Continental counterpart running through the same exercise in respect of the UK. Among the many Continental distribution service operators well placed to move into the UK is the French group Omnium de Stockage et de Transport (OSTRA), which is in turn part of the UK-based distribution organisation Transport Development Group.

"We see as many opportunities for French companies to establish themselves in the UK as we do for UK companies to establish themselves in France. It is really a matter of following one's customers as they develop their business activities in Europe," Mr Florian Walewski, managing director of OSTRA, notes.

Mr Walewski was instrumental in setting up OSTRA as a holding company in 1973, backed by money from TDG and some merchant banks. Prior to that, he had worked in a family transport business involved with barge, rail and road freight activities.

First acquisition for OSTRA came in 1974 with the purchase of a company called Royer et Cie. Based at Chalons-sur-Marne in north-east France, tanker operator Royer specialises in the long distance haulage of chemicals and oil. With a fleet of more than 170 vehicles and a staff of some 270, it is still one of the two biggest companies in the OSTRA group in terms of the number of vehicles operated.

The largest, though, is OSTRA's most recent acquisition, Innocenti, which was bought a few months ago. Based at Avignon in southern France, the road tanker company operates a fleet of some 200 vehicles and specialises in the movement of dangerous chemicals and acids.

Innocenti and Royer apart, OSTRA now has a dozen other French distribution service companies involved in activities such as bulk transport of liquids and solids, cold storage and distribution, national and international heavy haulage, national and international transport and warehousing, and parcels delivery.

Altogether, the group currently operates over 750 vehicles in France, ranging from 10 tonne distribution trucks to heavy haulage units. Covered warehousing capacity exceeds 45,000 sq metres and it also has some 55,000 sq metres of cold storage facilities.

Reflecting the already established tendency for Continental distribution companies to operate cross-border services, international business now makes up some 25 per cent of OSTRA's total activities. That figure rises to around 50 per cent if OSTRA's purely domestic service operators are not included.

Major customers for various group companies include well known international names such as ICI, BP, Hoechst, Otis, Auchan, Roquefort, Mars and Renault.

In keeping with the current philosophy of the TDG group as a whole, OSTRA's general policy is to encourage individual companies to continue operating autonomously but also to start looking more keenly at possibilities for cooperating with fellow group members, both in France and outside, to further develop both national and international business.

Within France, for example, OSTRA is beginning to develop a national parcels delivery operation under the name Transgold. So far, three of the group's regional parcels companies – Baillivet which covers northern France in an area broadly encompassed by Paris, Lille and Rouen; Berthet which is based in Lyon and covers the south-east of the country; and Jim Fret which covers the Bordeaux and south-west region – are involved. A fourth OSTRA regional parcels carrier, SOMAF, which covers eastern France, has not yet joined the Transgold network but may do so at some point in the future.

"Our objective is to develop a national parcels network in France which could liaise with other TDG parcels operations, such as Tuffnells in the UK, and with Iberia and other countries in Europe, to provide international services," Mr Walewski said.

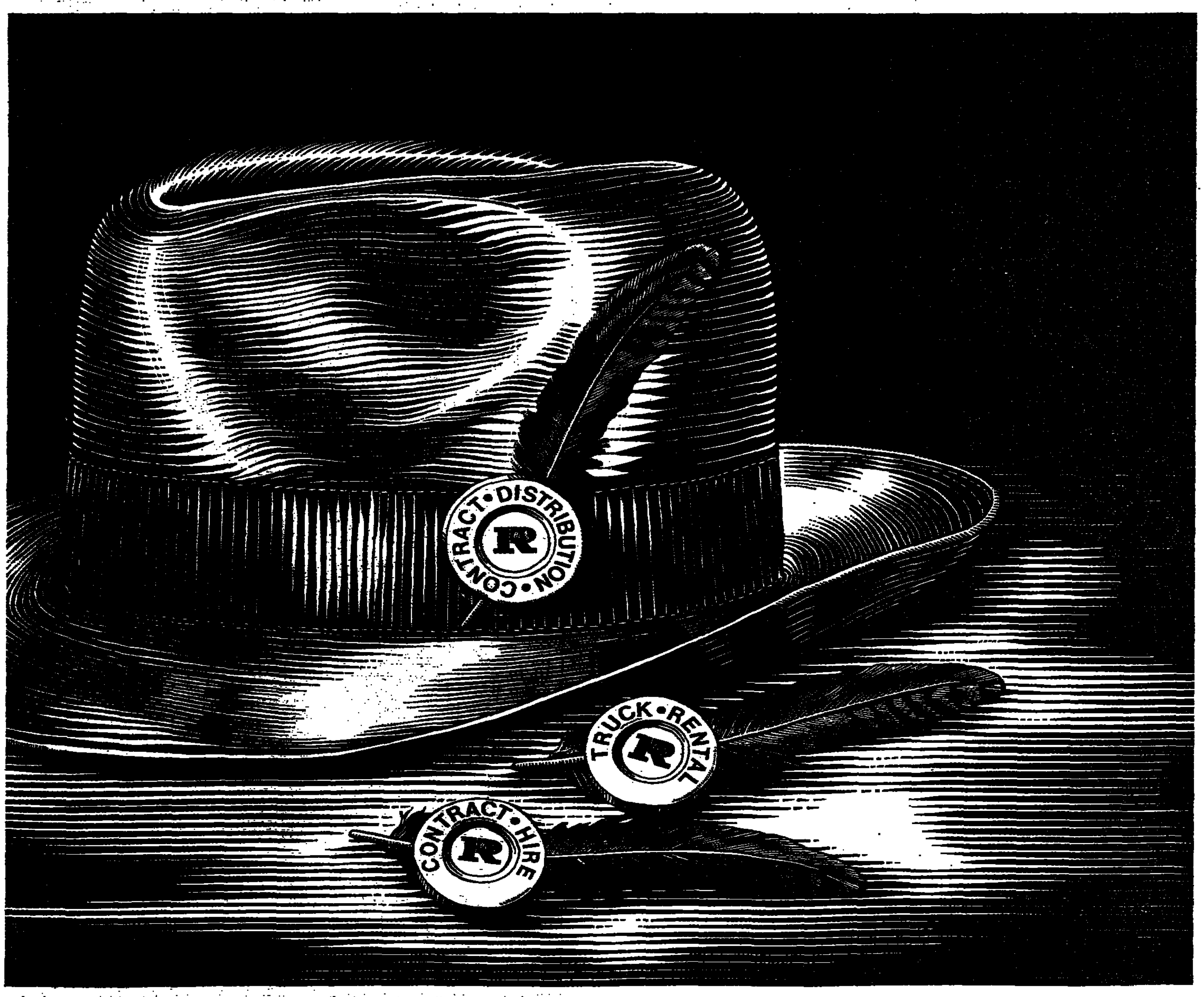
"The pace of our development in the French parcels sector will depend on two key factors profitability and opportunities. It may happen that we find an already established national network which we can acquire. There are still plenty of opportunities to acquire parcels companies in France."

Outside the parcels market, OSTRA is also looking at the possibilities for developing general national and international activities. Among the development options being considered are more acquisitions and what Mr Walewski terms the transfer of skills. By this, he means the employment of individuals with particular skills and the use of TDG's expertise in areas such as automated warehousing.

OSTRA's acquisition interest extends to finding a partner in the UK. Mr Walewski says that this could be a UK company looking to set up or reorganise distribution operations in France.

The customer could deal with TDG in the UK, which would, in turn, leave the actual on-the-ground organisation to OSTRA. The latter would then employ French nationals on the operation to ensure full understanding of the local language and market conditions and use TDG's general distribution industry operational skills to further improve efficiency.

Phillip Hastings



The beer industry is potentially a huge market for specialist distributors

Brewers are urged to contract out

WHETHER OR not to contract out the distribution of beer to a third party carrier or lease back delivery vehicles are issues currently being examined by the brewing industry.

Many of the major companies in the industry for some years have contracted out deliveries to the take-home trade, which includes supermarkets and cash and carries.

In the take-home trade products are either canned or bottled and require few of the complex skills that are needed to deliver casks of beer to the many thousands of outlets that make up the British pub trade.

Only a handful of brewers, including Boddington Brewery in Manchester, have contracted out this business but other brewers are actively investigating the matter. Mr David Alvarez, divisional general manager of TNT Brewery Distribution, said: "We are talking to a lot of brewers about the contracting out of their distribution."

Elders IXL, the Australian brewing, pastoral and financial group, is currently conducting a major review of its internal distribution services at all its brewing operations. These include Courage in the UK, Carling O'Keefe in Canada and Carlton Brewery in Australia. The review, being conducted by Linfox, an Australian specialist distribution company, is expected to be completed by the New Year.

TNT Brewery Distribution is the only specialist division to have been created by a distribution group to seek business specifically from the brewing industry which is a potentially huge market for specialist distributors.

Mr Alvarez, who was hired from the brewing industry to build up the division, said TNT had recognised that the brewing industry was exhibiting many of the features of other companies which were seeking to contract out their distribution. These included:-

- Industrial relations problems.
- Restrictive practices within internal distribution.
- Low productivity.
- High wages.
- Declining markets and therefore rising unit costs.
- A need to release capital for improving other aspects of the business which in the case of the brewers includes large investment in pub refurbishment.

Advantages of contracting out, he said included the fact that brewers could concentrate on their core businesses. Specialist distribution groups were skilled in setting up systems from scratch and could also draw upon other resources within the organisations.

Mr Alvarez said: "If for example a brewer wants some beer delivered in a hurry we have a same-day delivery service."

Boddington, a medium sized regional brewer, investigated the contracting out of its distribution after it decided last year to close Oldham Brewery, one of its three breweries.

It was impossible, the group, decided, for the distribution services within the two other breweries at Liverpool and Manchester to take on the distribution of additional loads of beer brands, production of which had been transferred to them.

TNT set up a centralised warehouse near Wigan from which it provides a retail and wholesale delivery service to all Boddingtons public house customer.

Traditional beer distribution: these days, specialists contractors are after a share of the UK's 35m barrels a year business

TNT's sales pitch, said Mr Alvarez, did not focus on savings to be made by contracting out a service. Mr Alvarez said that savings were generally made because TNT was setting out from scratch. However, TNT preferred to emphasise improvements in service.

Boddington's experience throws light on one of the reasons more companies have not opted for contracting out their distribution. In February its distribution workers at Manchester and Liverpool – members of the Transport and General Workers Union – went on strike in protest at the proposal. One week's beer deliveries were lost before the strike was resolved.

Mr Hubert Reid, Boddington's managing director, said contracting out was part of a package of measures – including the re-organisation of production and racking facilities – which would improve efficiency and customer service.

In addition to contracting out distribution services brewers are examining options including sale and leaseback deals – a general development in the distribution industry. Grand Metropolitan Brewing announced in June what is believed to be the UK's biggest sale and leaseback deal for physical distribution equipment.

The deal, worth about £27m, covers 500 trucks, 280 trailers and 300 lift trucks. The trucks and trailers will be bought by Ailsa Truck Finance, the financial services arm of Volvo Trucks (Great Britain). Ailsa will replace the fleet with new Volvo vehicles over five years.

The lift trucks will be bought by Barlow Handling, the UK distributor for Hyster fork lift trucks and will also be replaced over five years.

According to Grand Metropolitan Brewing the company expects to cut its £40m a year distribution costs by several million pounds.

Mr Roger Young, group director at Grand Metropolitan Brewing, said the deal would provide the company with an immediate cash injection while *increasing* capital flexibility and removing non-earning assets from the balance sheet.

Mr Young said more and more people were realising that distribution was part of the total business proposition. The leasing deal, he said, was a way of adding value rather than simply a cost.

He said that the fact that GrandMet had done a sale and leaseback deal did not preclude it from contracting out its distribution. "At the time we felt the sale and leaseback was the right thing to do," said Mr Young.

According to the major brewers there are few companies in the industry, particularly the larger groups, that are not, or have not, given serious consideration to contracting out to a third party.

TNT is articulate about the advantages. Brewers cite several disadvantages. They include:-

- Industrial relations difficulties – as have been experienced by Boddington.
- The loss of in-house skills.
- The danger of escalating costs unless there is plenty of competition *among* third party distributors.
- In buying a service – which is open to other brewers – the individual brewer could lose competitive edge.

Certainly it is likely that more brewers – at a time of increasing competition in the industry and large-scale investment in pub refurbishment and beer brand promotion – will be contracting out all or some part of their distribution.

The opportunities presented by this large industry which delivers in excess of 35m barrels of beer to its customers every year are not lost on the distribution industry. One brewer said: "The contractors really are on a soap box to the industry at present."

One or two brewers have just put out distribution partially to a third party – a strategy that can help monitor costs and efficiencies.

Whitbread, one of Britain's largest brewers, put its London distribution out to British Road Services – now part of National Freight Consortium – eight years ago. It has been a successful relationship but not one that Whitbread has extended to the rest of its operations.

For since the early 1980s Whitbread has developed its own in-house skills, assisted by the recruitment of professional managers and increased training, to such as extent that it is now seeking to offer itself as a third part distributor.

Whitbread said: "We are striving to provide the highest quality service to our customers and our people are so committed that we are offering the service to third parties.

Lisa Wood

LEASING

EC rules uncertainty provides a boost

UNCERTAINTY OVER the precise implications of the planned European Community single internal market, caution about general economic prospects, and changing financial considerations, are encouraging more companies to lease, contract hire or rent their distribution vehicles and equipment rather than opt for outright purchase.

European considerations – the run-up to 1992 and the scheduled opening of the Channel Tunnel the following year – are likely to encourage many commercial vehicle operators to expand beyond purely domestic activities into more general European Community distribution operations.

But their distribution fleet development plans and those of established international operators are still being hampered by the somewhat halting progress of efforts to standardise the weights and dimensions of trucks and trailers within the EC.

The UK, for instance, is still stalling on the issue of allowing 40-tonne lorries on its roads. The current 38-tonne limit on articulated vehicles puts the UK out of step with most of the rest of the EC where the maximum gross weight allowed ranges from 40 tonnes in France, West Germany, Spain, Portugal and Greece to 50 tonnes in the Netherlands.

The limit of 32.5 tonnes for drawbar units in the UK is even more out of line with most of EC where again the maximum weight allowed varies from 40 to 50 tonnes.

More positively, some commercial vehicle legislative changes are working their way through for instance, from next January the UK will accept refrigerated trailers built to a total width of 2.6 metres, as against 2.58 metres at present, which will bring the country into line with a number of other European countries.

However, with the timing of other legislative developments rather less certain, UK distribution fleet operators now sometimes find themselves caught between acquiring new equipment which will meet existing UK laws and vehicles and trailers units which will be compatible with, and comparable to, those being employed elsewhere in Europe.

That situation has provided an additional opening for commercial vehicle leasing and rental organisations, many of which are in any case increasingly looking to spread their wings through the EC, to promote their ability to supply the very latest types of equipment for use in Europe. The UK-based truck and trailer rental/contract hire organisation BRS, for example, recently ordered some new 2.6-metre trailer units from a West German manufacturer to meet the planned changes in UK legislation next January.

"Trailer rental organisations in the UK cannot expect to be able to meet the demands of their customers in the future unless they are prepared to offer them trailers suitable for operation throughout Europe," commented Mr Colin Barr, BRS group marketing manager trailer rental. "With that in mind, we are generally purchasing more trailers which are suitable for European operations, for example, triaxle stepdeck tilts and triaxle straightframe tilts."

Similarly expanding its fleet with the general European market in mind is TIP Europe which now claims to be the region's largest trailer rental organisation. The company recently announced a £30m investment programme to add another 2,000 trailers to its existing near 10,000-strong fleet. According to TIP, the new trailers will be designed to "take maximum advantage of recent weight and dimension legislation and many will have intermodal flexibility to allow for the movement across Europe by both rail and road."

Another area of uncertainty which is encouraging distribution fleet operators to look at alternatives to outright purchase centres is the general outlook for domestic and international trade. With no one able to say for sure whether the world is heading for recession, or at least a significant downturn in trade, some companies feel happier meeting their distribution fleet needs via hire purchase, rental, financial leasing or contract hire arrangements than outright purchase.

With new trucks now costing at least £25,000, trailers £10,000 or more and maintenance costs soaring, fleet operators cannot afford to acquire equipment which could become surplus to service requirements.

Adding to the case against outright purchase, Hertz Leasing claimed in its 1988 Hertz Report on the vehicle fleet market that some of the general costs arising from outright purchase were in any case invariably overlooked or underrated.

Chief amongst them is the impact on corporate cash flow for outright purchase. This is immediate and, in many cases, significant. The company is thus deprived of liquidity that could otherwise be devoted to developing the business, says the report.

For those companies which decide to seek an alternative to purchase when building up or expanding their vehicle fleets, one alternative is financial leasing which involves the lessee paying a rental for vehicles which he never actually owns. The rental covers the lessor's capital cost plus interest and profit over the period of the lease. As with loans and hire purchase, costs such as maintenance and insurance are retained by the lessee.

Meanwhile, changes over the last couple of years in UK taxation legislation have accelerated moves towards off-balance sheet funding in the form of contract hire and rental. Similarly, general adoption of the Statement of Standard Accounting Practise SSAP 21, which requires finance lease obligations to be shown as liabilities on a company's balance sheet, has encouraged more fleet operators to look at operating leases such as contract hire which allow for off-balance sheet accounting.

Operating leases and contract hire are based on the lessor or contract hire company acquiring the vehicles, predicting the residual value of the vehicle at the end of the hire period and charging a rental which reflects the predicted depreciation over that period, the interest, the cost and the profit.

Fitting in with all the other methods of vehicle acquisition is rental, an option which is particularly useful for companies experiencing seasonal upturns in business or other short-term demands.

Mr George Inch, group sales and marketing director for BRS, which is currently experiencing business growth of 33 per cent a year, says perceptions have changed and operators have, in the main, opted to get rid of spare vehicles and rent-in to fill the gaps.

Philip Hastings

Methods of delivery have been transformed over the past two years

How news was hauled off the rails

A QUIET revolution has transformed the national newspaper distribution industry over the past two years — a revolution that has seen a complete move from rail to road delivery, a growing concentration of newspaper wholesalers and the sweeping aside of many traditional relationships.

The origin of the dramatic changes in the way that newspapers travel through the night from the printing presses to the reader, as do many of the recent changes in the national newspaper industry, with Mr Eddie Shah, the founder of Today.

Because of fears that he might not be able to get his revolutionary newspaper delivered, he began setting up his own distribution channels including the awarding of local franchises. In the end, distribution turned out to be only one of Mr Shah's pressing problems.

Rather like the Fleet Street revolution itself however, it was Mr Rupert Murdoch, the News International chairman, who made the process of change in newspaper distribution, that Mr Shah had only hinted at, irreversible.

It was the move of all News International titles to Wapping in a single weekend and the subsequent battle with the print unions that attracted all the attention and the headlines at the time.

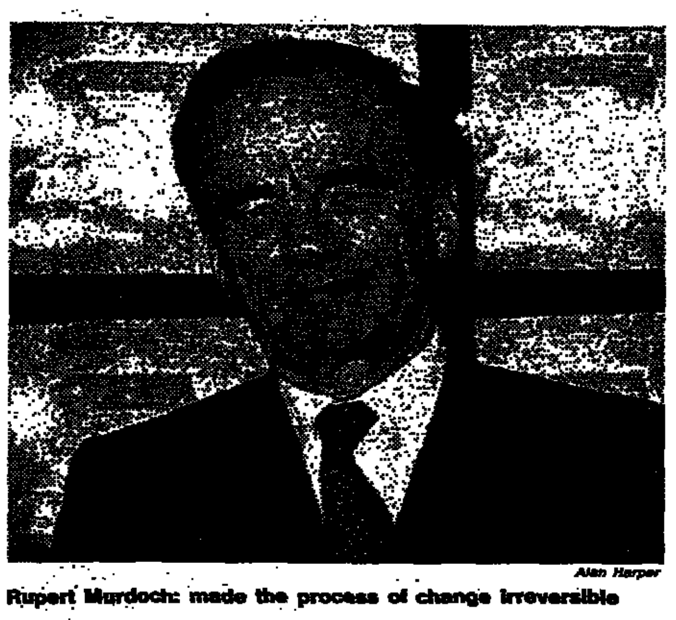
But it was the road distribution system put together in a matter of days by TNT, the Australian transport company in which Mr Murdoch has a small stake, that played a vital role in the equation. Within a remarkably short period the papers were getting through normally and Mr Murdoch had proved it was possible for a newspaper publisher to deliver newspapers by road direct to the retailer in London and to the wholesalers in the rest of the country.

The process of change began to accelerate a year ago last June when Mr Robert Maxwell, publisher of Mirror Group Newspapers, sent a letter to British Rail thanking them for delivering the Daily Mirror for 80 years but adding that from July 1 1987 the Mirror would be travelling by road.

It was the end of the line for the special newspaper trains that sped through the night as staff sorted out the newspapers on board. The service was plunged into loss and British Rail seemed to lose the appetite for trying to save what was left, a freight contract worth about £17m a year.

The BR service survived for another year but after a few attempts to put together a residual skeleton service national newspaper trains became a thing of the past in July this year.

The bulk of national newspaper delivery is now in the hands of two road haulage companies. TNT carries News International titles and the Telegraph, and Newsflow, the National Freight Corporation subsidiary, delivers the rest of the national newspapers — apart from the Independent and the Observer both of which print at different sites around the country.



Alan Harper

Rupert Murdoch: made the process of change irreversible

Although TNT is widely acknowledged as operating an efficient service other proprietors seemed reluctant to commit themselves to a delivery system so closely identified with Mr Murdoch.

"We got 90 per cent of the available contracts," says Mr Douglas Cartin, managing director of Newsflow, although there are disputes over what this means in volume terms.

The industry believes that the TNT system is running at a loss because it has not been able to attract business from other national newspaper proprietors.

The transformation of the newspaper distribution business has, however, been more profound that just a move from rail to road transport.

In February Mr Murdoch "did a Wapping" on the wholesale newspaper distribution business by unilaterally imposing a new framework on the traditional structure. Instead of using more than 1,000 wholesalers, ranging from the giants of the industry such as W.H. Smith and John Menzies to small family businesses, Mr Murdoch decided he wanted 182 geographical franchises covering all of England outside London.

The aim was to reduce the number of wholesalers to create a more efficient service and cut costs although the effect was to bring TNT into the newspaper wholesale business and reduce the involvement of companies such as W.H. Smith and to a lesser extent John Menzies.

Since then the position of the large wholesale companies has strengthened as small wholesalers have gone out of business or been absorbed. Not only have the W.H. Smiths and the John Menzies the resources to invest in sophisticated computer systems but they are also benefitting from the rapid growth in the consumer magazine sector.

Mr Maxwell followed News International with his own less drastic rationalisation of wholesalers, many of them operating only on Sundays. Mirror Group Newspapers set up a system of newspaper "dumps" around the country and a reduced number of wholesalers were given the task of taking the newspapers on from there to their final destination.

According to Mr Patrick Morrissey, managing director of MGN, the number of wholesalers he uses has fallen from 2,000 three years ago to around 230 now.

In London the Murdoch solution has led to a rationalisation of wholesale newspaper distribution territories so that for the first time wholesalers have their own exclusive slice of the London area.

Newsagents have complained about the lack of competition but it has ended wasteful duplication and crazy situations such as different wholesalers supplying the newspaper kiosks on different platforms at Surbiton station.

The revolution in newspaper distribution is far from over. "It has only just begun," says Mr Morrissey.

MGN is now considering whether to follow the example of Mr Murdoch and deliver direct to the newsagent in London — something that would mean further cut jobs in wholesale distribution in the London area.

Even more radical thoughts are circulating in the newspaper industry. Would it be possible to go direct to the newsagent all over the country, thereby saving the wholesaler's margin? Would it be feasible to go even one step further and professionalise newspaper delivery direct to the home?

Such radical steps are unlikely in the immediate future but are prompted by the costs involved in the present system. MGN estimates that it costs between £130m-£140m to get its newspapers from the printing plant into the hands of the reader — a far larger charge than any other item on a publisher's bill including either newsprint or editorial.

Another trend is worrying publishers. According to Mr Morrissey the number of newsagents interested in home delivery is gradually declining. If this trend continues, publishers who believe they cannot rely on casual sales alone may be forced to take some action to protect circulations.

For the moment the position of the larger wholesalers, at least outside London, seems secure.

When Mr Shah, the man who provided the catalyst for change in the newspaper industry launches his new national newspaper, The Post, next month, he will use the traditional wholesale distribution network.

Raymond Snoddy

Single EC market means change for freight forwarders

Sector must rethink its business

THE PLANNED creation of the European Community single market is encouraging traditional freight forwarding and road transport groupage service operators to look at ways of significantly expanding the scope of their distribution services.

Already, many such operators are pushing on with the development of full door-to-door express delivery services throughout the Community. Now, some of those companies are looking to develop related warehousing and storage activities to enable them to offer comprehensive pan-European distribution systems.

Spurring them on is the generally held view in the distribution industry that the changes in trading activities likely to be triggered by the EC single market development offer a threat as well as an opportunity to forwarding and groupage companies operating traditional intra-European transport services.

The threat, it is claimed, will come from other organisations offering more sophisticated and wider-ranging European-wide distribution systems along the lines of those already established in United Kingdom and other domestic markets.

Included in that category are major express delivery companies like TNT and Federal Express which are planning major Europe-wide development of their already fast-growing UK domestic contract distribution operations. At the same time, established general distribution service organisations like the Transport Development Group and Christian Salvesen are also building up their continental European business.

Meanwhile, fast-growing distribution group Rockwood Holdings plans to follow up the recent acquisition of several international freight forwarding companies, including major operators Mercury Airfreight and Walford Meadows, with other similar moves in Europe, as part of an broader plan to develop integrated domestic and international services.

Explaining why freight forwarders and groupage operators will need to rethink their approach to the European market, distribution industry observers point to the fact that at present, for example, international haulage vehicles moving freight between the UK and other European countries tend to pick up and drop their loads at certain key centres, leaving local companies to handle collection and delivery activities outside those points. Major factors determining that pattern of operation include licensing restrictions and the problem of finding return loads for vehicles venturing outside the main centres.

With the advent of a single European market, though, UK vehicles should be legally able to carry domestic traffic within other European countries, making it easier and more economically viable to develop door-to-door distribution in those markets. The same should also apply to other EC vehicles running into the UK. The challenge for forwarding and groupage companies will be to use the opening up of European trading and transport markets to their advantage.

Prominent among the UK forwarding organisations already heading in that direction is LEP International. Earlier this year, the company revealed plans to build up a pan European warehousing and distribution system over the next three years along the lines of the UK based domestic distribution operation Swift Transport Services which it acquired in 1985. Since being bought by LEP, Swift's annual turnover has more than doubled to £25m and the company is now operating a fleet of 455 vehicles.

To build up a European network, LEP is looking to acquire national transport companies, generally with around 300-600 employees, in West Germany, the Benelux countries, France, Spain and Italy.

"When the deregulated market appears, Europe will need a coherent approach to freight management and an infrastructure capable of taking advantage of changing regulations and new customer requirements," Mr Andrew Tidmarsh, the LEP executive heading up the new project, explains.

"We believe that amalgamating contract distribution with some facets of the traditional European groupage forwarding market will be highly beneficial. We are aiming to offer a well-developed, reliable and time-definite freight system across Europe."

The key to success for forwarders intent on developing their intra-European and other international distribution services is becoming information technology. The movement of information is now often seen as just as important as the physical movement of goods and major exporters are tending to put their business with those forwarders which have the best communication systems.

"If the forwarder is not simply going to jog along but is actually going to develop and prosper then I believe he has to give his customer a system which provides information and control and well as expertise," comments Mr Colin Mitchell, chairman of UK forwarding company, Hill & Delamain.

"In its simplest form, where the forwarder has developed a geographical niche market, control can be effected by simply ensuring that the freight remains within his own controlled network of offices. At a more advanced level, it requires computer tracking and information systems capable of intelligently interfacing with others around the world."

One company which has just adopted this approach is intra-European express freight operator Pandalink which will shortly be introducing a new computerised system for tracking and tracing consignments throughout its system. The new system will come fully on stream when Pandalink completes the integration of its operations with those of Air Express International, the company which took over parent forwarding organisation, Pandair International, last year.

"We were already looking at developing such a system prior to AEI coming on the scene. Luckily for us, AEI already had an IBM tailor-made system which we could lock into. We are now very nearly at the stage where we can come fully on line. Most of our stations are now on and the rest will be by the end of this year," Mr Richard Johnston, general manager of Pandalink, explained.

Computerisation also features strongly in the plans of leading intra-European groupage operators. UK-based Europa Freight Corporation which has recently installed computers at its hubs in Erith, Kent and Paris and plans to extend the system to cover its whole European network by the end of the year.

"The Paris-UK link means that we can complete UK customs entries in Paris, transmit the details down the line to Erith which then feeds them direct into Dover DTI and vice versa for UK export traffic into the French customs system. Effectively, the person completing the entries in Paris is connected direct to Dover DTI," a Europa spokesman said.

In keeping with present-day market demands for specific products, Europa is now marketing three basic types of service for UK shippers and importers — Elite, Express and Groupage, covering Western Europe and Scandinavia. The Elite service offers guaranteed 24-hour, door-to-door delivery to major centres in most of that region; Express services normally offer guaranteed 48-hour door-to-door delivery, although that goes out to 72 hours for some points in Scandinavia and southern Europe; and Groupage service transit times range from 48 to 72 hours for points like Brussels, Paris and Amsterdam to 96 hours to Scandinavia.

Phillip Hastings

Forecast that revenue could match that from passengers

Air freight demand zooms skywards

WORLD DEMAND for air freight is rising at a rapid rate. More cargo capacity is available than at any previous time, as world airlines modernise and expand their fleets with larger aircraft with more passenger seats and more cargo space.

One consequence is much tougher competition, with airlines unable to charge for air freight at the rates they would ideally like.

This competition is set to accelerate, especially among European airlines, as members of the European Community prepare for the single European market in 1992, with the application of EC competition rules to air transport, a sector that has hitherto largely failed to observe these rules.

Air cargo has quadrupled in volume over the past decade and some airline cargo managers have forecast that revenue from air freight is set to match revenues from airline passengers.

Lufthansa, the West German airline, claims to be the "world's number one airline in the scheduled freight business", although the specialist US Flying Tiger all-cargo airline remains the top overall carrier of air freight.

A measure of the scale of the scheduled airline air freight business is given by the Lufthansa's performance. The volume of freight carried by the airline rose by 14.5 per cent to 726,965 tonnes, with an additional 84,773 tonnes of mail carried. However, Lufthansa's gross freight revenue was up only 0.4 per cent to DM 1,965m, reflecting partly the impact of the negative impact of the falling US dollar rate and partly sustained competitive pressures.

British Airways, which carried more passengers than any other western airline outside the US last year, handled 285,000 tonnes of air freight at its cargo centre at Heathrow airport, London, in 1987-88, a rise of 21 per cent compared with the previous year. In terms of the scale of the BA air freight business, measuring the distance the freight was carried, the airline operated 18 per cent more freight tonne kilometres in the year to the end of March than in the previous 12 months.

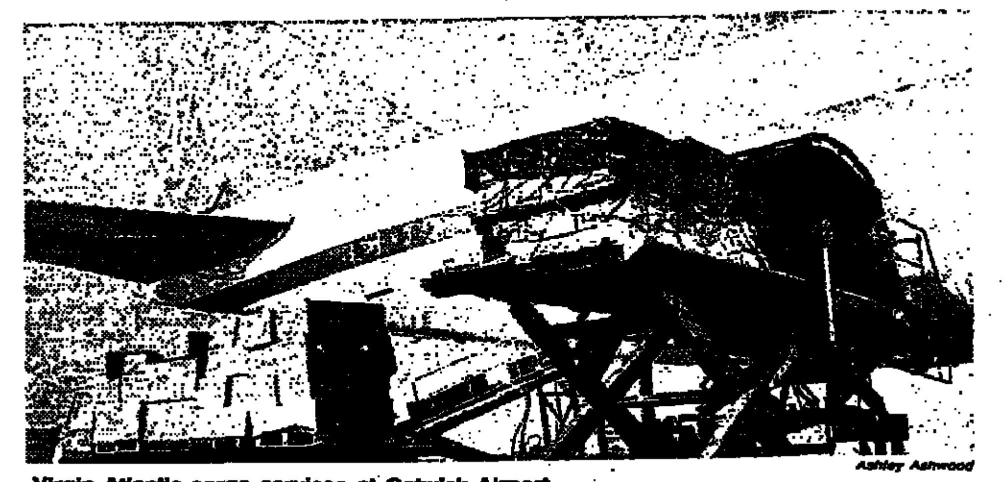
Overall, the UK exported 300,000 tonnes of freight by air in 1987-88, a 6 per cent growth compared with the previous year. Imported air freight into the UK, on the other hand, jumped by almost a quarter, 24 per cent, to 365,000 tonnes.

Mr Berny Knill, the market planning manager of British Airways Cargo, said that, typically, there was a greater volume of air freight inbound for the UK than exported. Nevertheless, "over the past two years, there has been a phenomenal growth in air freight imports to the UK." The single most dominant factor had been the strength of imports from the United States, arising from the weak dollar. Forty per cent of all UK air imports came from the US.

Mr Geoff Bridges, the managing director of British Airways Cargo said accelerated growth in the world air freight market had been mainly in the premium sector, which now exceeded the traditional, or "hard" cargo market.

In the case of the US market, some of the typical products that had helped boost US air exports to the UK included high technology products, especially computers and computer peripheral equipment. But high value fresh fruit, such as out of (UK) season grapes and strawberries from California, added to the bulk of imports. Urgent machine and car parts also added to the tonnage imported by the UK.

The UK market for air freight is unusual in several respects. First its airports are not necessarily the most well placed in Europe to act as collection hubs and entrepots for the efficient collection of air freight for collation and onward distribution. One result is that some UK airlines have adopted continental centres to act as a focus for cargoes drawn from other continental sources.



Virgin Atlantic cargo services at Gatwick Airport

Ashley Ashwood

Virgin Atlantic and British Airways both use Maastricht in the Netherlands as a continental base, with Virgin using the airport mainly as a hub for passengers onward bound for the US. Emery Air Freight, one of the US specialist air freight operators, also uses Maastricht as its European hub. British Airways also has secondary distribution hubs at Lyon, France and Helsingborg, Denmark.

BA has its own truck fleet and distribution network and uses Maastricht as its main European trucking centre for consolidation of air freight for its Boeing 747 containers. "The lion's share of this freight is then trucked by lorry to Heathrow airport, to the airline's cargo centre," Mr Knill said. "We took a strategic decision to spread the air freight business and to concentrate on the whole world, with western Europe as a single market."

Overnight roll-on roll-off freight lorries are almost as quick, and as competitive in price, as air freight for travel in a radius of about 400 miles from the south east of England. This takes in cities about as far as Frankfurt, which is the main West German cargo hub for Lufthansa.

Airlines operating into the main south east airports tend to concentrate much more on passenger traffic, using small to medium size airliners with a fast turn around time, with less emphasis on air freight.

However, this pattern is set to change. Already, the wide body Airbus Industrie airliners are increasingly common in the skies of Europe and airlines can ill afford to ignore the immense cargo capacity they offer. Similarly, over the winter of 1989-90, BA, for example, is set to introduce its own wide body fleet of Boeing 767 airliners. Eleven of these aircraft are on order for the airline and they will be specially fitted to be able to carry full size cargo containers that are compatible with the hold of the Boeing 747 jumbo jet, the world's largest commercial jet airliner and the main air freight aircraft.

"The 767 will give use a better spread of service, with seven of the aircraft expected in service by summer 1990," Mr Knill said, "but the lorry trucking on the Continent will continue."

One common problem for air freight operators is to ensure the freight containers, shaped to fit inside the semi-circular aircraft fuselage profile, are full to the brim. Otherwise the aircraft is carrying expensive empty space for no reward. BA devised a novel way of cutting the weight of an air freight container and at the same time solving the problem of how to find out if every space is filled. Mr Knill estimated that as much as 40 per cent of a container volume was wasted by inefficient packing.

The solution was to replace the traditional fuselage shaped aluminium air freight containers with see-through clear plastic polycarbonate containers. The airline industry had previously opted for ultra light weight aluminium containers, but these were easily damaged, repair costs were excessive and cargoes were damaged.

BA now has 500 of the new see-through plastic containers, the same weight as the lightweight aluminium containers, but not subject to damage.

With airlines conscious of the single European market rapidly approaching, pressure is already building up among freight distributors, for even more deregulation than is proposed for the airlines themselves. The Freight Transport Association, representing shippers and freight operators, claims that in the UK, airline ground handling and ancillary charges at airports are determined by a cartel of airlines and are not subject to restrictive practices legislation.

The FTA believes these charges should be deregulated and set by market forces, "or at the very least made subject to the EC competition rules."

Lynton McLain

London listing is planned for the highly successful National Freight Consortium

The employee-ownership factor

WHEN THE National Freight Consortium is floated on the London stock exchange early next year, it will be one of the most unusual companies ever to obtain a full listing.

NFC is a workers' company. Around 40 per cent of its shares are held by some 25,000 employees - and a further 40 per cent owned by their families and by pensioners.

This unusual shareholding structure dates back to when the group was privatised back in 1982. Although the company was regarded as a prime candidate for privatisation - it was singled out as such in the Conservative manifesto of 1979 - there were few likely buyers in the corporate sector and a flotation was impossible. The group's profits record was patchy and its financial position weak.

NFC's Sir Peter Thompson

However, a group of senior managers, led by Sir Peter Thompson, the current chairman, decided that, despite its poor performance, the group had immense underlying strength. They led an employee buy-out, with some 10,000 employees and pensioners subscribing for £4m of shares, and further funding coming from £51m of bank loans.

The deal was not a bonanza for the government's coffers. It had to pay £47m of the proceeds to top up NFC's pension fund and it also had to write off some £100m of debts.

The bonanza was reserved for the employees. The privatised group was quick to boost its profits and when the share price was last set on the group's internal market, employees had seen their investment increase in value 62 times. Several millionaires have been created and lorry drivers have been able to retire to tax havens. When the share price was last set on the internal market, the group was capitalised at £500m.

The core of the group's successful strategy has been the gradual withdrawal from general road haulage, which tends to be characterised by cutthroat competition and low margins. More and more companies are now "contracting out" their distribution functions to outside operators - who can offer an upmarket service with fleets of lorries delivering goods from dedicated warehouses after receiving orders from the customer's computer system.

Such sophisticated distribution systems are vital for companies which want to operate just-in-time stocking systems. They also bring higher margins to companies, like NFC, which operate them.

NFC's business portfolio is, in fact, remarkably diverse with operations such as travel services as well as an interest in the consortium which has been chosen to develop the £6bn King's Cross site.

The group also includes Pickfords Removal Services, BRS (the old British Roads Services) and Lynx, the parcels distribution business, which despite a re-launch still lost money last year.

However, the group as a whole is firmly in the black with pre-tax profits reaching £47m last year (from £11.8m in 1983) whilst turnover has increased from £493m to £911m over the same period. The company has forecast profits of £63m on turnover of £1.2bn this year.

It is an impressive record for a company heading for flotation, but the run-up to a listing has been more more complex than most. Sir Peter believed strongly that employee ownership was the key to the group's success and thus wanted to guard against a hostile takeover by giving employees dual voting rights.

The Stock Exchange was not happy about the idea. It wanted the shares to have differential voting rights only if such rights remained with the shares when they were sold. After much debate, the two sides eventually reached a compromise. Employees will not have a dual vote but a share trust, representing the interests of employees, will have a special share which will be equal in value to the employees' votes.

That "golden share" may help protect NFC from takeover but even the golden share will not protect the company in the long term if the employees choose to cash in their holdings. For years, NFC's shareholders voted against such a move and the decision was only taken when it became clear that the company needed funds for expansion.

Earlier this year, NFC acquired Allied Van Lines, a US removals company, for $100m (£56m) - its third acquisition in the States following the purchase of Merchants Home Delivery Services and Dauphin Distribution. As a result, NFC has what it claims is the first centrally-owned worldwide removals network, with bases in Australia, New Zealand, Japan, Hong Kong, Singapore and the Middle East, as well as Europe and North America.

Further acquisitions are planned, both across the Atlantic and in Europe, which the company sees as a major area for expansion. And although NFC has already brought in outside institutional shareholders, there is a limit to the funds which could be raised whilst the group had only an internal market for its shares.

Flotation will probably take the form of an introduction but will be preceded by a rights issue to raise up to £100m. Although the company hopes and expects that some of its employees will take up their rights, others will doubtless sell their entitlement in the market, thus widening the shareholder base.

It will be interesting to see whether the unusual nature of the group's shareholding structure attracts, or repels, the outside investment community.

Will the ethos of the group change once it goes public? The management hopes not. "We don't intend to change", said Mr James Watson, the deputy chairman "we want to hold on to people's involvement in the business".

Philip Coggan